

CRAVATH, SWAINE & MOORE

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NEW YORK, N. Y. 10005

212 HANOVER 2-3000

TELEX

RCA 233663

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RECORDATION NO. 13305 Filed 1981

NOV 12 1981 -9 55 AM

INTERSTATE COMMERCE COMMISSION

November 10, 1981

Trailer Train Company
Security Agreement and Mortgage
dated as of November 1, 1981

Dear Madam:

Pursuant to 49 U.S.C. § 11303 and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Trailer Train Company for filing and recordation counterparts of the following document:

Security Agreement and Mortgage dated as of November 1, 1981, between KM Railcar Leasing Corporation, as Lessor, and Trailer Train Company, as Lessee.

The names and addresses of the parties to the aforementioned agreement are as follows:

(1) Lessor:

KM Railcar Leasing Corporation
Kerr-McGee Center
P. O. Box 25861
Oklahoma City, Oklahoma 73125

(2) Lessee:

Trailer Train Company
101 North Wacker Drive
Chicago, Illinois 60606.

No. 1-316A045

Date Nov 10 1981

Fee \$ 30.00

ICC Washington, D. C.

18.11.81 6 71 AM

*Carver-Turkey -
Allard C. -
Shugart*

*Mrs. Lee -
this is a
new number*

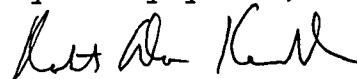
Please file and record the document referred to in this letter and index it under the names of the Lessor and the Lessee.

The equipment covered by the aforementioned document appears in Exhibit A attached hereto.

Enclosed is a check for \$50 payable to the Interstate Commerce Commission for the recordation fee for the Security Agreement and Mortgage.

Please stamp all counterparts of the enclosed document with your official recording stamp. You will wish to retain one copy of the instrument and this transmittal letter for your files. It is requested that the remaining counterparts of the document be delivered to the bearer of this letter.

Very truly yours,



Robert A. Kindler
as Agent for Trailer Train
Company

Agatha L. Mergenovich,
Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Encl.

VV

Interstate Commerce Commission
Washington, D.C. 20423

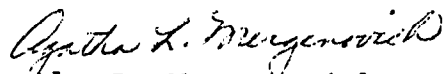
OFFICE OF THE SECRETARY

Robert A. Kindler
Cravath, Swaine & Moore
One Chase Manhattan Plaza
New York, N. Y. 10005

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/12/81 at 9:55AM , and assigned re-recording number(s). 13305

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)

Units of Railroad Equipment Serving as Collateral

<u>Description</u>	<u>Quantity</u>	<u>Car Number (inclusive)</u>
89', 70-ton capacity, standard level flat car with hitches	97	600078 600080-600095 600097-600157 600159-600177
89', 70-ton capacity, standard level flatcar	359	911377-911382 911384-911385 911387-911402 911404-911421 911423-911427 911429-911437 911439-911444 911446-911457 911459-911495 911497-911506 911508-911526 911528-911580 911582-911607 911609-911643 911645-911660 911662-911672 911674-911694 911696-911713 911715-911722 911724-911740 911742-911749 911751-911756
60', 70-ton capacity, special purpose flatcar	344	90316 - 90361 90363 - 90383 90385 - 90451 90453 - 90567 90569 - 90646 90648 - 90660 90662 - 90665
	<u>800</u>	

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INTERSTATE COMMERCE COMMISSION

[CS&M Ref.: 3301-014]

SECURITY AGREEMENT AND MORTGAGE

Dated as of November 1, 1981

Between

TRAILER TRAIN COMPANY,

Lessee,

and

KM RAILCAR LEASING CORPORATION,

Lessor.

APPENDIX A
TO
SECURITY AGREEMENT

Units of Railroad Equipment Serving as Collateral

<u>Description</u>	<u>Quantity</u>	<u>Car Numbers (inclusive)</u>	<u>(AAR Settlement Values)</u>
89', 70-ton capa- city, standard level flatcar with hitches	97	600078 600080-600095 600097-600157 600159-600177	\$ 1,776,349
89', 70-ton capacity, standard level flatcar	359	911377-911382 911384-911385 911387-911402 911404-911421 911423-911427 911429-911437 911439-911444 911446-911457 911459-911495 911497-911506 911508-911526 911528-911580 911582-911607 911609-911643 911645-911660 911662-911672 911674-911694 911696-911713 911715-911722 911724-911740 911742-911749 911751-911756	7,081,958
60', 70-ton capacity, special purpose flatcar	344	90316 - 90361 90363 - 90383 90385 - 90451 90453 - 90567 90569 - 90646 90648 - 90660 90662 - 90665	7,204,869
	<u>800</u>		<u>\$16,063,176</u>

SECURITY AGREEMENT AND MORTGAGE (the "Security Agreement") dated as of November 1, 1981, between TRAILER TRAIN COMPANY, a Delaware corporation (the "Lessee") and KM RAILCAR LEASING CORPORATION, a Delaware corporation (the "Lessor").

The Lessee and the Lessor propose to enter into an Agreement dated as of the date hereof substantially in the form of Exhibit A (the "Agreement") by the terms of which the Lessor is leasing, for Tax Purposes only, certain Property described therein to the Lessee.

The Lessee has agreed to execute and deliver a Security Agreement for the benefit of the Lessor to secure performance of the Lessee's obligations under the Agreement.

NOW THEREFORE, in consideration of the agreements hereinafter contained, the parties hereto hereby agree as follows:

SECTION 1. Definition of Terms.

(a) "AAR Settlement Value", with respect to any unit of Collateral, means the "Depreciated Value" (i.e., the "Reproduction Cost" less calculated depreciation) of such unit, within the meaning of Rule 107 of the Field Manual of the Interchange Rules adopted by the Association of American Railroads Mechanical Division, Operations and Maintenance Department as in effect on the date hereof.

(b) "Casualty Occurrence", with respect to any item of Collateral, means any Casualty Occurrence as defined in Section 4.3 of the Agreement or the attachment, seizure or levy of or upon such item of Collateral in any foreign jurisdiction.

(c) "Collateral" means all units of railroad equipment described in Appendix A hereto and any units of railroad equipment subjected to this Security Agreement by means of a supplemental security agreement pursuant to Section 8 hereof.

(d) "Engineer's Certificate" means a certificate signed by the President, a Vice-President, the Treasurer or an Assistant Treasurer of the Lessee or by any other officer

or employee of the Lessee approved by the Lessor and who is qualified to estimate the fair market value of units of railroad equipment.

(e) "Obligations" means all obligations, due or to become due, contingent or otherwise, of the Lessee to the Lessor pursuant to the Agreement, other than those subject to setoff pursuant to Section 1.3 of the Agreement, as well as any and all costs and expenses paid or incurred by the Lessor in connection with the maintenance or preservation of the Collateral, under Section 6, or in preserving or enforcing any rights given the Lessor under the Agreement, this Security Agreement or by law.

(f) "Original Value of the Collateral" means the amount specified in Section 3.

(g) "Proceeds" means whatever is received when Collateral is sold, exchanged, leased, collected or otherwise disposed of.

(h) Unless otherwise specifically set forth herein, capitalized terms shall have the meanings set forth in the Agreement.

SECTION 2. Security Interest. As security for the performance of the Lessee's Obligations, the Lessee hereby grants, conveys, pledges, mortgages, assigns and transfers to the Lessor a first priority security interest in the Collateral until the Lessee shall have performed all of its Obligations.

SECTION 3. Value of the Collateral. The aggregate AAR Settlement Value of the Collateral as of October 30, 1981, was \$16,063,176.

SECTION 4. Covenants. (a) Promptly after the execution hereof, the Lessee shall cause this Security Agreement to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and shall furnish the Lessor with evidence, satisfactory to the Lessor, of such filing promptly after such filing.

(b) The Lessee will not, without the written consent of the Lessor, create or grant or suffer to exist any lien or encumbrance on, or security interest in, any Collateral or allow any filing to be made with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 or with any

other governmental agency with respect to the Collateral; provided, however, that this Section 4(b) shall not apply to liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

(c) The Lessee shall not sell, further encumber or otherwise dispose of the Collateral or any interest therein, except as permitted by Section 5 below.

(d) The Lessee shall promptly give the Lessor notice in writing of all claims and litigation which may in the reasonable opinion of the Lessee, in any way impair or interfere with, or threaten to impair or interfere with, the security interest given to the Lessor hereunder.

(e) The Lessee shall promptly give notice to the Lessor of each event which constitutes, or which, with the giving of notice or the lapse of time or both, would constitute, an Event of Default, and each other event which has or might have a materially adverse effect on the Lessee's ability to perform its obligations under the Agreement or this Security Agreement.

(f) The Lessee will, at its own expense, from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record (and will refile, re-register, redeposit or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of proper protection and perfection of the Lessor's security interest in the Collateral; provided, however, that the Lessee shall not be required to take any of the foregoing actions if, in the opinion of counsel of recognized standing selected by the Lessee and satisfactory to the Lessor, such action is not necessary to protect or perfect the Lessor's security interest in the Collateral; and provided further, however, that the Lessee shall not be required to take any such action in respect of any jurisdiction outside the United States if (1) the Lessee deems such action to be unduly burdensome and (2) after giving effect to the failure to take such action, the Lessee has taken all action required by law or reasonably requested by the Lessor to protect and perfect the security interest of the Lessor in Collateral having a value of not less than 85% of the fair market value of the Collateral at the time.

SECTION 5. Use of the Collateral and Proceeds.

Until an Event of Default shall have occurred, the Lessee may use and deal with the Collateral and Proceeds in any lawful manner in the ordinary course of its business; provided, however, that no such use or dealing shall be inconsistent with the terms or provisions of the Agreement, this Security Agreement or any insurance policy obtained with respect to the Collateral pursuant to Article 5 of the Agreement.

SECTION 6. Preservation of Collateral. The Lessor

may, at its option, after 10 days' notice to the Lessee (a) discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral and (b) pay for the maintenance (as required by Article 7 of the Agreement) and preservation of the Collateral. The Lessee agrees to reimburse the Lessor, on demand, for any payment made or any expense incurred by the Lessor pursuant to this Section. To the extent permitted by law, interest shall accrue on the amount of any such payment or expense at the rate of 1% over the Prime Rate, from and including the day such amount is paid by the Lessor until the Lessor shall have received such reimbursement, and shall be payable by the Lessee on demand.

SECTION 7. Remedies on Default. Upon the occur-

rence of an Event of Default and thereafter, the Lessor shall be entitled to the following remedies:

(a) the Lessee, upon demand, shall deliver all the assets included in the Collateral to the Lessor at a place designated by the Lessor, and the Lessor may, with or without legal process, and with or without previous notice of demand for performance (other than as required under the Agreement) but subject to applicable law, enter any premises wherein the Collateral may be and take possession of the same and shall be entitled to collect, receive and retain all unpaid per diem, mileage or other charges of any kind earned by the Collateral or any part thereof after such Event of Default;

(b) the Lessor may sell the Collateral or any part thereof at public or private sale at any time upon at least five Business Days' prior notice to the Lessee of the time and place of such sale (which notice the Lessee hereby agrees is commercially reasonable). At the

option and in the sole and absolute discretion of the Lessor, such sale of the Collateral or any part thereof may be for cash or upon credit or for future delivery. The Lessor may bid for and acquire the Collateral or any part thereof at either a public or private sale. The Lessor shall be entitled to hold, sell or otherwise dispose of any Collateral or part thereof acquired by the Lessor at such a sale in any manner provided by applicable law;

(c) if at any time after such notice has been given the Lessor shall determine that a postponement or a change in the place of the sale referred to therein is necessary or appropriate for the fulfillment of the provisions hereof applicable to such sale or in order to obtain sale conditions that the Lessor determines may be more favorable, the Lessor may make such a postponement or change upon at least two days' prior notice to the Lessee of the new time or place of such sale (which notice the Lessee hereby agrees is commercially reasonable);

(d) in the case of any sale by the Lessor of any Collateral or part thereof on credit or for future delivery, the Collateral so sold may be retained by the Lessor until the selling price has been paid by the purchaser. If such purchaser shall fail to take up and pay for the Collateral so sold, such Collateral may again be similarly sold;

(e) the Lessor shall be entitled to deduct from the proceeds of any sale by the Lessor of any Collateral or part thereof all taxes, commissions, reasonable fees, costs or expenses of every kind paid or incurred in connection with such sale, including, without limitation, all reasonable expenses (including reasonable fees and expenses of legal counsel) of holding, insuring, preparing for sale or other disposition, and delivering, selling or otherwise disposing of the Collateral. After making such deductions, the Lessor shall apply the residue of the proceeds of any such sale or sales to pay, first, the then outstanding amount of the Obligations under the Agreement and, thereafter, all other Obligations secured by the first priority security interest granted to the Lessor herein. The Lessor may retain an amount of such proceeds sufficient to cover

the largest aggregate sum which may become due to the Lessor in respect of any Obligations then contingent and prospective interest, reasonable costs, expenses and fees of legal counsel, and the Lessor shall pay interest on such amount to the extent it exceeds such Obligations, prospective interest, costs, expenses and fees, at the Prime Rate. Such interest shall be payable to the Lessee at such time as no further Obligations may arise under the Agreement or this Security Agreement. The excess proceeds, if any, of any such sale, shall be paid promptly to the Lessee. The Lessee shall remain liable to the Lessor for the payment of any deficiency, with legal interest;

(f) in any statutory or nonstatutory proceeding affecting the Lessee or any of the Collateral, the Lessor or its nominee may file a proof of claim for the full amount of any Collateral and vote such claim for the full amount thereof (i) for or against any proposal or resolution, (ii) for a Trustee or Trustees or for a Committee of Creditors, and (iii) for the acceptance or rejection of any proposed arrangement, plan of reorganization, wage earners' plan, composition or extension, and the Lessor or its nominee may receive any payment or distribution and give acquittance therefor and may exchange or release Collateral;

(g) the Lessor may exchange any of the Collateral for other property and deposit any of the Collateral with any committee or depository upon such terms as it may determine in connection with any reorganization or recapitalization or readjustment of indebtedness of the Lessee, all without notice to the Lessee and without liability;

(h) the rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

SECTION 8. Substitution of Collateral; Casualty Occurrences. (a) Upon the written request of the Lessee, the Lessor shall, at any time and from time to time, execute and deliver a release or releases assigning and transferring to the Lessee all of the right, title and interest of the Lessor in and to any Collateral; provided, however, that no unit of the Collateral shall be so released unless another unit of railroad equipment having a substantially equal fair

market value at such time shall be simultaneously subjected to the terms of this Security Agreement by means of a supplemental security agreement. At the time of the delivery of any request for a release pursuant to the preceding sentence, the Lessee shall deliver to the Lessor an Engineer's Certificate stating that each unit proposed to be subjected to the terms of this Security Agreement has a fair market value substantially equal to that of each unit for which release is requested and a certificate of a duly authorized officer of the Lessee with respect to each such unit to the effect specified in Section 2.1(j) of the Agreement and to the further effect that a supplemental security agreement with respect to each such unit has been duly filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and no other filing, recording or action by any person and no authorization, approval or consent from any governmental or public body or authority of the United States of America, or of any of the states thereof or the District of Columbia is required for the protection or perfection of the security interest in such unit granted to the Lessor under such supplemental security agreement.

(b) If, at any time prior to performance in full by the Lessee of all the Obligations, units of Collateral having an aggregate AAR Settlement Value, determined as of the date hereof, exceeding 10% of the Original Value of the Collateral shall have suffered a Casualty Occurrence or Casualty Occurrences, the Lessee shall cause to be subjected to this Security Agreement, by means of a supplemental security agreement, other units of railroad equipment similar in type to the Collateral which shall have suffered such Casualty Occurrences, such other units having a fair market value at least substantially equal to the fair market value immediately prior to such Casualty Occurrences of the units of Collateral for which such other units are being substituted. Whenever Collateral shall be subjected to this Security Agreement pursuant to the preceding sentence, the Lessee shall provide the Lessor with an Engineer's Certificate verifying the Lessee's compliance with the requirement as to fair market value contained in the preceding sentence and a certificate of a duly authorized officer of the Lessee with respect to each such unit to the effect specified in Section 2.1(j) of the Agreement and to the further effect that a supplemental security agreement with respect to each such unit has been duly filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and no other filing, recording or action by

any person and no authorization, approval or consent from any governmental or public body or authority of the United States of America, or of any of the states thereof or the District of Columbia, is required for the protection or perfection of the security interest in such unit granted to the Lessor under such supplemental security agreement.

(c) The Lessee shall reimburse the Lessor on demand for all reasonable costs and expenses, including, without limitation, reasonable fees and expenses of legal counsel, paid or incurred by the Lessor in connection with the preparation and execution of any supplemental security agreement pursuant to this Section. Each unit of Collateral subjected to this Security Agreement under a supplemental security agreement pursuant to this Section shall be subject to all the terms and conditions hereof in all respects as though it had originally been part of the Collateral described in Appendix A.

SECTION 9. Reports and Information. On or before April 1 in each year, commencing with calendar year 1982, the Lessee shall furnish to the Lessor an accurate statement setting forth as at the preceding December 31 the description, and numbers of each unit of Collateral then subject to this Agreement, and the description and numbers of each unit of Collateral that shall have suffered a Casualty Occurrence during the preceding calendar year and such other information regarding the condition of the Collateral as the Lessor may reasonably request. The Lessor and its agents and employees shall have the right of access to the Lessee's records and informational system regarding the location of each item of Collateral, and shall have the right of access to the Lessee's premises where any item of Collateral is located for the purpose of inspecting such item, at all reasonable times during normal business hours upon prior written notice to the Lessee and subject to the Lessee's secrecy, security and safety regulations generally applicable to third parties regarding the Collateral involved; provided, however, that the Lessee shall not be obligated to interrupt the use of any unit in normal operations for the purpose of such inspection; and provided further, however, that the Lessee shall not be liable for any injury to, or the death of, any agent or employee of the Lessor which may occur during any inspection of the Collateral by such agent or employee pursuant to this Section.

SECTION 10. Release of Collateral. (a) If no Event of Default has occurred and is continuing and no contest or proceeding (including any appeal thereof) relating to the characterization for Federal tax purposes of any transaction contemplated by the Agreement has been commenced and is continuing, upon the written request from the Lessee on or after the expiration of the Lease Term with respect to all items of Property, the Collateral shall be released from the security interest created by this Security Agreement. Upon such release, the Lessor will take such further actions, including the execution of documents to be filed with the Interstate Commerce Commission, as may be reasonably requested by the Lessee for the purposes of effectuating such release. If any such contest or proceeding (including any appeal thereof) shall have been commenced on or before, and shall not have been resolved by, the date of such request, no unit of Collateral shall be released unless the Lessee shall grant to the Lessor a first priority security interest in such other property as is satisfactory to the Lessor. The Lessee hereby agrees, at its own expense, to do and perform any act, and will execute, acknowledge, deliver, file, register, deposit and record (and will refile, reregister, redeposit or rerecord whenever required) any and all instruments, including, without limitation, any security agreement with respect to such other property, as may be required by law or reasonably requested by the Lessor for the grant, proper protection and perfection of such security interest.

(b) The Lessee shall reimburse the Lessor on demand for all reasonable costs and expenses, including, without limitation, reasonable fees and expenses of legal counsel, paid or incurred by the Lessor in connection with the release of the Collateral or the negotiation, preparation and execution of any instrument prepared, or any other action taken, in connection with the grant, protection or perfection of any security interest given to the Lessor, pursuant to Section 10(a).

(c) The obligations of the Lessee under Section 10(a) and Section 10(b) shall survive the termination of the Agreement and this Security Agreement and all other obligations of the Lessee thereunder.

SECTION 11. Law Governing; Execution in Counterparts.

(a) This Security Agreement shall be governed by, and construed in accordance with, the laws of the State of Illinois.

(b) This Security Agreement may be executed in several counterparts, such counterparts together constituting but one and the same instrument, and it shall not be necessary that any counterpart be signed by both parties hereto so long as each party hereto shall have executed one counterpart hereof, in which case this Security Agreement shall become effective upon delivery by both parties of a counterpart hereof to counsel for the Lessee.

SECTION 12. Notices. Any notice required or permitted to be given by either party hereto to the other shall be hand-delivered or mailed, first class, postage prepaid, as follows:

(a) if to the Lessor, at Kerr-McGee Center, P.O. Box 25861, Oklahoma City, Oklahoma 73125, Attention: Treasurer,

(b) if to the Lessee, at 101 North Wacker Drive, Chicago, Illinois 60606, Attention: Vice-President, Finance

or addressed to any party at such other address as such party shall theretofore have furnished to the other party by notice in writing. All notices hereunder shall be effective five days after mailing.

SECTION 13. Survival. All covenants, agreements, representations and warranties made herein and in certificates delivered pursuant hereto shall survive the execution of this Security Agreement and shall inure to the benefit of the successors and assigns of the Lessor, and such representations and warranties and all matters set forth in such certificates shall be deemed to have been material and relied upon by the Lessor as being true and correct on the date or dates as of which such representations and warranties are made and such certificates delivered, regardless of any investigation which may have been made by the Lessor or on its behalf.

SECTION 14. Severability. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 15. Remedies and Waivers. No failure or delay on the part of the Lessor in exercising any right hereunder or under the Agreement shall operate as a waiver of, or impair, any right hereunder. No single or partial exercise of any right hereunder or under the Agreement shall preclude any other or further exercise thereof or the exercise of any other right hereunder. No waiver of any right hereunder shall be effective unless given in writing and signed by duly authorized officers of the Lessor and the Lessee. No waiver of any such right shall be deemed a waiver of any other right hereunder.

SECTION 16. Amendment. This Security Agreement may be amended only by an instrument in writing executed by the parties hereto.

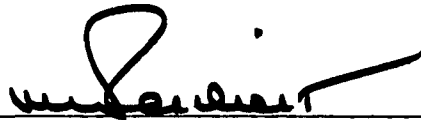
SECTION 17. Integration of Terms. Except as otherwise provided herein, this Security Agreement contains the entire agreement between the parties relating to the subject

matter hereof and supersedes all oral statements and prior writings with respect thereto.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed by their duly authorized officers or other persons as of the date first above written.

TRAILER TRAIN COMPANY,

by



VICE PRESIDENT - FINANCE

[Corporate Seal]

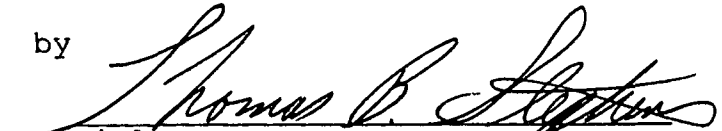
Attest:



Title: Assistant Secretary

KM RAILCAR LEASING CORPORATION,

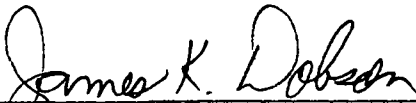
by



Title: VICE PRESIDENT

[Corporate Seal]

Attest:



Title: Assistant Secretary

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 12th day of November 1981, before me personally appeared N V Reichert, to me personally known, who, being by me duly sworn, says that he is Vice President-Financed of TRAILER TRAIN COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

J P Hoehn
Notary Public

My Commission expires _____

[Notarial Seal]

My Commission Expires December 27, 1983

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this 12th day of November 1981, before me personally appeared Thomas B. Stephens, to me personally known, who, being by me duly sworn, says that he is a Vice President of KM RAILCAR LEASING CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Patricia Thorp Rodriguez
Notary Public

[Notarial Seal]

My Commission expires March 30, 1982

PATRICIA THORP RODRIGUEZ
Notary Public State of New York
No. 41-4801660
Qualified in Queens County
Certificate Filed in New York County
Commission Expires March 30, 1982

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AGREEMENT

Dated as of November 1, 1981

Between

TRAILER TRAIN COMPANY,

Lessee,

and

KM RAILCAR LEASING CORPORATION,

Lessor.

(Covering Flatcar Modifications)

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AGREEMENT dated as of November 1, 1981, between TRAILER TRAIN COMPANY, a Delaware corporation (the "Lessee") and KM RAILCAR LEASING CORPORATION, a Delaware corporation (the "Lessor").

The Lessee has agreed, for Tax Purposes (as defined in Section 1.6 hereof) only, to transfer to the Lessor, and the Lessor has agreed, for Tax Purposes only, to purchase from the Lessee, on the terms and subject to the conditions set forth below, each of the flat car modifications described in Exhibits A-I and A-II hereto, as such Exhibits shall be amended in accordance with Section 1.2 hereof (collectively, the "Property"; each unit of the Property described in such Exhibits is herein referred to as an item of Property).

The Lessor desires to lease the Property to the Lessee, and the Lessee desires to lease the Property from the Lessor, for Tax Purposes only, pursuant to the terms and provisions hereinafter set forth.

The Lessee is a party to equipment trust agreements, conditional sale agreements and other arrangements utilized for its acquisition of the flat cars to which the Property is attached (collectively "Prior Interests" and individually a "Prior Interest"; the holders of the Prior Interests and the trustees and agents acting on their behalf are hereinafter collectively called the "Prior Interest Holders" and individually a "Prior Interest Holder"), which Prior Interests may, in certain instances, by their terms be applicable to items of Property.

NOW, THEREFORE, in consideration of the agreements hereinafter contained, the parties hereto hereby agree as follows:

ARTICLE 1. TRANSFER OF PROPERTY

Section 1.1. Closing Dates; Purchase; Lease; Purchase Price. (a) Subject to the terms, limitations and conditions herein set forth, on November 12, 1981, or such other date as shall be agreed upon by the Lessor and the Lessee, but not later than November 13, 1981 (the "First Closing Date"), the Lessee agrees to transfer to the Lessor, for Tax Purposes only, the items of Property described in

Exhibit A-I hereto, as the same shall be amended pursuant to Section 1.2 hereof, for a purchase price specified in Section 1.1(c) hereof, and the Lessor shall lease each such item to the Lessee, for Tax Purposes only, for the term, and in consideration of the rentals, specified in Article 4.

(b) On December 1, 1981, or such other date as shall be agreed upon by the Lessor and the Lessee (with appropriate adjustment to the percentages on Exhibit C-II), but not later than December 31, 1981 (the "Second Closing Date"; and the First and Second Closing Dates being herein individually called a "Closing Date" and collectively called the "Closing Dates"), the Lessee agrees to transfer to the Lessor, for Tax Purposes only, the items of Property described in Exhibit A-II hereto, as the same shall be amended pursuant to Section 1.2 hereof, for a purchase price specified in Section 1.1(c) hereof, and the Lessor shall lease each such item, for Tax Purposes only, to the Lessee for the term, and in consideration of the rentals, specified in Article 4.

(c) The aggregate purchase price of the Property transferred on the First Closing Date shall be paid by the delivery to the Lessee of (i) cash in an amount equal to 33.28% of the total amount set forth on Exhibit A-I and (ii) an executed promissory note of the Lessor in substantially the form of Exhibit B-I hereto (such note and the note delivered on the Second Closing Date, as described below, being referred to herein individually as a "Note" and collectively as the "Notes"), in a principal amount equal to 66.72% of the total amount set forth on Exhibit A-I hereto, payable to the Lessee and dated the First Closing Date. The aggregate purchase price of the Property transferred on the Second Closing Date shall be paid by the delivery to the Lessee of (i) cash in an amount equal to 34.23% of the total amount set forth on Exhibit A-II hereto and (ii) an executed promissory note in substantially the form of Exhibit B-II hereto, in a principal amount equal to 65.77% of the total amount set forth on Exhibit A-II hereto, payable to the Lessee and dated the Second Closing Date. The purchase price for any item of Property transferred on a given Closing Date (as such price shall be adjusted pursuant to Section 1.1(d) hereof, the "Purchase Price"), and the portions of the Purchase Price consisting of cash and Note principal, shall be determined by allocating to each item, the purchase price, and the cash and the Note principal, paid for all such items as specified in this Section 1.1(c), in the proportion which the Lessee's adjusted basis at the time of the lease within the meaning

of Section 168(f)(8)(D)(ii)(III) of the Code (as defined in Section 12.1 hereof) ("Lessee's Basis") with respect to such item bears to the Lessee's Basis with respect to all such items.

(d) It is the intention of the parties that in no event shall the Lessor's adjusted basis at the time of the lease within the meaning of Section 168(f)(8)(D)(ii)(II) of the Code for any item of Property exceed the Lessee's Basis for such item and, accordingly, should it be determined at any time or from time to time that the Lessor's adjusted basis as so determined for any item of Property is in excess of the Lessee's Basis for such item, the Purchase Price of such item shall be reduced by an amount equal to such excess and the applicable Note representing partial payment of the Purchase Price and the rentals payable under Section 4.2 hereof shall be appropriately adjusted to give effect to such reduction. If the Purchase Price of an item is reduced pursuant to the immediately preceding sentence, then, to the extent that such reduction results in a Loss (as defined in and pursuant to Section 12.2 hereof), the Lessee shall pay to the Lessor such amounts, if any, as may be due pursuant to Section 12.2 hereof.

(e) The closing on each Closing Date shall be held at 2:00 p.m., New York City time, at the offices of Cravath, Swaine & Moore, One Chase Manhattan Plaza, New York, New York. Subject to the satisfaction of the conditions set forth in Section 3.1, payment of the cash portion of the Purchase Price of the items of Property transferred on each Closing Date shall be made by the Lessor at 2:00 p.m., New York City time, on such Closing Date, in immediately available funds.

Section 1.2. Adjustment Dates. Five days after notice by the Lessee to the Lessor, but in no event later than April 1, 1982 (the "Adjustment Date"), the Lessee shall furnish to the Lessor (i) an amended Exhibit A-I signed by an officer of the Lessee describing with greater particularity the items of Property transferred to the Lessor on the First Closing Date (including designation of the car numbers of the flatcars to which such items relate) and the amounts thereof (the sum of such amounts, "First Adjustment Price"), (ii) a certificate of an officer of the Lessee stating that all such items are included in the description of the Property in Exhibit A-I hereto prior to the amendment, (iii) an amended Exhibit A-II signed by an officer of the Lessee describing with greater particularity the items of Property

transferred to the Lessor on the Second Closing Date (including designation of the car numbers of the flatcars to which such items relate) and the amounts thereof, (the sum of such amounts, the "Second Adjustment Price") and (iv) a certificate of an officer of the Lessee stating that all such items are included in the description of the Property in Exhibit A-II hereto prior to the amendment. In the event that the aggregate purchase price paid for the items of Property transferred on the First Closing Date as determined under Section 1.1(c) exceeds the First Adjustment Price (such excess, representing the anticipated purchase price of items which were not actually transferred and did not become Property subject to this Agreement, is hereinafter called the "First Adjustment Difference"), then (i) an amount of the cash paid by the Lessor to the Lessee on the First Closing Date equal to 33.28% of the First Adjustment Difference shall constitute a full recourse loan from the Lessor to the Lessee which the Lessee shall repay on the Adjustment Date with interest computed at the Prime Rate (as hereinafter defined) from the First Closing Date to the Adjustment Date and (ii) a portion of the principal amount of the Note delivered on the First Closing Date equal to 66.72% of the First Adjustment Difference shall be cancelled effective as of the First Closing Date. In the event that the aggregate purchase price paid for the items of Property transferred on the Second Closing Date as determined under Section 1.1(c) shall exceed the Second Adjustment Price (such excess, representing the anticipated purchase price of items which were not actually transferred and did not become Property subject to this Agreement on the Second Closing Date, is hereinafter called the "Second Adjustment Difference"), then (i) an amount of the cash paid by the Lessor to the Lessee on the Second Closing Date equal to 34.23% of the Second Adjustment Difference shall constitute a full recourse loan from the Lessor to the Lessee which the Lessee shall repay on the Adjustment Date with interest computed at the Prime Rate from the Second Closing Date to the Adjustment Date and (ii) a portion of the principal amount of the Note delivered on the Second Closing Date equal to 65.77% of the Second Adjustment Difference shall be cancelled effective as of the Second Closing Date.

"Prime Rate" shall mean the rate of interest publicly announced by Citibank in New York City from time to time as its Prime Rate, as in effect from time to time.

Section 1.3. Certain Offsetting Payments. The Lessor and the Lessee hereby agree that all amounts payable pursuant to the Notes are payable solely out of the Primary

Rental Payments (as defined in Section 4.2 hereof), Casualty Payments (as defined in Exhibits C-I and C-II hereof) and Primary Option Payments (as defined in Section 10.1 hereof) payable by the Lessee under this Agreement, and that the Lessor shall have no obligation under any circumstances whatsoever to make any payment under the Notes except by, and to the extent of, set off against such payments by the Lessee. The Lessor hereby agrees that the obligation of the Lessee to make Primary Rental Payments, Casualty Payments (to the extent applicable to prepayment of the Notes pursuant to the next succeeding paragraph) and Primary Option Payments shall be set off by the Lessee against the obligations of the Lessor to make payments in respect of the Notes and that the Lessee shall have no obligation under any circumstances whatsoever to make Primary Rental Payments, Casualty Payments (to the extent applicable to prepayment of the Notes pursuant to the next succeeding paragraph) or Primary Option Payments except by, and to the extent of, such set-off. On each Payment Date (as defined in Section 4.2 hereof), the payment under a Note coming due on that date shall automatically, and without any action by the Lessor or the Lessee, be deemed set off against the corresponding Primary Rental Payment or Primary Option Payment, as the case may be. The Lessor hereby authorizes the Lessee to endorse on Appendix A to each Note, on each Payment Date, the information called for on Appendix A to each Note, and agrees that such endorsement shall constitute conclusive evidence of the payment by the Lessee of the corresponding amounts due under this Agreement. At the Lessor's request, the Lessee shall send to the Lessor written acknowledgement that its obligations under the Notes have been satisfied through set-offs, as provided above.

Any Casualty Payment in respect of any item of Property shall be applicable first, to prepay, by set-off, pro rata a portion of the remaining principal installments of the corresponding Note representing partial payment of the Purchase Price of such item to the extent set forth opposite the applicable Payment Date in Exhibit C-I hereto (in the case of any such item transferred on the First Closing Date) or in Exhibit C-II hereto (in the case of any such item transferred on the Second Closing Date), and the remaining amortization on such Note shall be appropriately reduced to give effect thereto; and second, the balance of such Casualty Payment shall be paid to and retained by the Lessor.

Section 1.4. Property Subject to Prior Interests.
The Lessor hereby acknowledges that its rights in and to the items of Property acquired hereunder are subject and subordinate in all respects to the rights of the Prior Interest

Holders under their Prior Interests. Any reference herein to the effect that an item of Property is subject to a Prior Interest shall include the circumstance that the flat car to which such item is attached is subject to a Prior Interest. Accordingly, the Lessor acknowledges and agrees that, upon foreclosure by any Prior Interest Holder under its Prior Interest, for Tax Purposes the Lessor will be deemed to have sold its interest in any items of Property subject to such Prior Interest to the Lessee (unless such Prior Interest Holder or other transferee of such items agrees to recognize the interest of the Lessor in such items). The Lessee hereby agrees that it will remain liable in all respects for payments required to be made pursuant to the Prior Interests, and the Lessor will have no responsibility therefor. Nothing in this Section 1.4 shall in any way limit or affect the Lessor's rights under Article 12 hereof.

Section 1.5. Lessor's Interest in Property.

The Lessor and the Lessee hereby agree that, regardless of whether (A) the Lease Term (as defined in Section 4.1 hereof) with respect to any or all items of Property has been terminated, (B) the Lessee or a Prior Interest Holder has exercised the Option (as defined in Section 10.1 hereof) with respect to any or all items of Property, (C) either of the options described in Section 10.2 hereof shall have been exercised or (D) an Event of Default (as defined in Section 4.5 hereof) or any event which with notice or lapse of time or both would constitute an Event of Default has occurred or is continuing, at all times (i) legal title in and to the Property will remain in the respective Prior Interest Holders or the Lessee, and not in the Lessor, (ii) the Lessor will have no rights or obligations with respect to the possession or use of any of the Property and (iii) the Lessor will have no rights to gain possession of any of the Property, order its sale, transfer, lease or other disposition or in any way (except in its capacity as a general unsecured creditor) utilize any of the Property to satisfy any obligations of the Lessee hereunder, it being the intention of the parties hereto that all such obligations will be unsecured (except as provided in the Security Agreement, as defined in Section 2.1(b)) and may be enforced by the Lessor only by appropriate legal or equitable proceedings. Notwithstanding the foregoing provisions, if neither of the options specified in Section 10.2 hereof to purchase or to require the purchase of all the rights and interests of the Lessor in the Property is exercised or deemed exercised, legal title in and to the Property subject to this Agreement on the Termination Date (as defined in Section 4.1 hereof) and the right to posses-

sion thereof shall, without further action, be vested in the Lessor, and the Lessee agrees, upon written notice from the Lessor, to execute and record in public offices such instrument or instruments in writing (including bills of sale with respect to such Property) as reasonably shall be requested by the Lessor in order to make clear upon public records the Lessor's title to such Property under the laws of any jurisdiction; provided, however, that the Lessor's rights in and to such Property shall be subject and subordinate to the rights, if any, of the Prior Interest Holders under the Prior Interests. As to any item of Property subject to a Prior Interest, the term "Repayment Date" shall mean the date when such Prior Interest is extinguished.

Section 1.6. Definition of "Tax Purposes". As used herein, the term "Tax Purposes" shall mean for purposes of United States Federal income tax law.

Section 1.7. Characterization As Lease. The Lessor and the Lessee hereby characterize this Agreement as a lease of each item of Property for Tax Purposes only pursuant to which the Lessor is characterized as the lessor and owner of the Property and the Lessee is characterized as the lessee of the Property, and hereby elect to have the provisions of Section 168(f)(8) of the Code apply to the transactions contemplated by this Agreement and the Property covered hereby. With respect to such election, the Lessor and the Lessee hereby agree to timely file with their respective Federal income tax returns the information returns required by Section 5c.168(f)(8)-2(a)(3) of the Temporary Treasury Regulations released on October 20, 1981, as amended on November 10, 1981 (the "Temporary Regulations"), or any successor provision, and to follow any and all other procedures and make such other filings as may be required to make and continue in effect during the term of this Agreement the election described in the immediately preceding sentence. The Lessee agrees to provide the Lessor with such information or other assistance as may be necessary or helpful in order to complete or file such returns or follow such procedures or make such other filings.

ARTICLE 2. REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants of the Lessee. The Lessee represents, warrants and covenants as follows:

(a) The Lessee is a corporation duly incorporated,

validly existing and in good standing under the laws of the State of Delaware.

(b) The Lessee is duly authorized and empowered to execute and deliver this Agreement and the Security Agreement and Mortgage dated as of the date hereof between the Lessor and the Lessee (the "Security Agreement", and together with this Agreement, the "Lessee Documents") and to fulfill and comply with the terms, conditions and provisions thereof; and the Lessee Documents have been duly authorized, executed and delivered by the Lessee, and, assuming due authorization, execution and delivery thereof by the Lessor, constitute legal, valid and binding agreements, enforceable against the Lessee in accordance with their terms.

(c) Except as reported in the Lessee's Annual Report on Form 10-K for the year ended December 31, 1980 and the Lessee's quarterly report on Form 10-Q for the six months ended June 30, 1981 (receipt of copies of which the Lessor hereby acknowledges), there are no actions, suits or proceedings, whether or not purportedly on behalf of the Lessee, pending or (to the knowledge of the Lessee) threatened against or affecting the Lessee or any property rights of the Lessee which, if determined adversely to the Lessee, would materially and adversely affect the ability of the Lessee to perform its obligations under the Lessee Documents.

(d) Neither the execution and delivery of the Lessee Documents nor the consummation of the transactions therein contemplated nor the fulfillment of nor compliance with the terms and provisions thereof will conflict with or result in a breach of the terms, conditions or provisions of (i) the charter or the by-laws of the Lessee or (ii) any contractual obligation to which the Lessee is a party or by which it or its property may be bound.

(e) No authorization, approval or consent of any governmental or public body or authority of the United States of America, or of any of the states thereof or the District of Columbia, is required for the execution, delivery and performance by the Lessee of the Lessee Documents.

(f) The Lessee has not entered into, and will not enter into, any agreement other than this Agreement,

whether similar or dissimilar hereto (and including any agreement to which the provisions of Section 48(d) or Section 168(f)(8), or both, of the Code apply) transferring any interests in respect of the Tax Benefits (as defined in Section 12.1 hereof) in respect of the Property to any person other than the Lessor.

(g) The Lessee has not claimed and will not claim any investment tax credits or depreciation or cost recovery deductions with respect to the Property (other than depreciation or cost recovery deductions allowable after the termination of this Agreement).

(h) All the costs or expenditures which are included in the Property are properly chargeable to capital accounts under accounting practices consistently applied by the Lessee in the past.

(i) The Security Agreement has been duly filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and, except for such filing, no filing, recording or other action by any person, and no authorization, approval or consent from any governmental or public body or authority in the United States of America, or any of the states thereof or the District of Columbia, is required for the protection or perfection of the security interest granted to the Lessor in the Collateral (as defined in the Security Agreement, "the Collateral") under the Security Agreement in any state of the United States or the District of Columbia.

(j) The Lessee has good and marketable title to the Collateral (as defined in the Security Agreement) free and clear of all liens and other encumbrances other than as permitted in the Security Agreement.

Section 2.2. Representations, Warranties and Covenants of the Lessor. The Lessor represents, warrants and covenants as follows:

(a) The Lessor is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

(b) The Lessor is duly authorized and empowered to execute and deliver this Agreement, the Security Agreement and the Notes (the "Lessor Documents") and to

fulfill and comply with the terms, conditions and provisions thereof; and the Lessor Documents have been duly authorized, executed and delivered by the Lessor and, assuming due authorization, execution and delivery of this Agreement and the Security Agreement by the Lessee, constitute legal, valid and binding agreements, enforceable against the Lessor in accordance with their terms.

(c) Neither the execution and delivery of the Lessor Documents nor the consummation of the transactions contemplated thereby nor the fulfillment of nor the compliance with the terms and provisions thereof will conflict with or result in a breach of the terms, conditions or provisions of (i) the charter or by-laws of the Lessor or (ii) any contractual obligation to which the Lessor is a party or by which it or its property may be bound.

(d) No authorization, approval or consent of any governmental or public body or authority of the United States of America, or of any of the states thereof or the District of Columbia, is required for the execution, delivery and performance by the Lessor of the Lessor Documents.

(e) Unless otherwise required by the Code or by Treasury Regulations promulgated under the Code, the Lessor will not include any amount other than the Purchase Price of any item of Property in its adjusted basis at the time of the lease within the meaning of Section 168(f)(8)(D)(ii)(III) of the Code of such item and will currently deduct or amortize on a straight-line basis over the term of this Agreement any costs or expenses (other than the Purchase Price of such item) incurred by it in connection with entering into the transactions contemplated by this Agreement.

(f) The Lessor will file its Federal income tax returns utilizing the accrual method of accounting, and utilizing the calendar year as its taxable year.

ARTICLE 3. CLOSING CONDITIONS

Section 3.1. Conditions to Purchase. The obligation of the Lessor to pay the Purchase Price of each item of Property on each Closing Date shall be subject to the receipt

by the Lessor on each Closing Date of the following documents (receipt of any of which may be waived by the Lessor):

(a) An opinion of counsel for the Lessee dated such Closing Date to the effect set forth in paragraphs (a) through (e) of Section 2.1 hereof (which in the case of paragraphs (c) and (d) (other than clause (i) thereof) may be to the best knowledge of such counsel) and to the further effect that:

(i) the Security Agreement has been duly filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and no other filing or recordation is necessary for the protection or perfection of the rights of the Lessor in the Collateral in any state of the United States or the District of Columbia; and

(ii) the Collateral is free and clear of all mortgages, deeds of trust and any other liens, other than as permitted by the Security Agreement and to the best knowledge of such counsel, the Lessee has good and marketable title thereto.

(b) A certificate of an officer of the Lessee dated such Closing Date (i) confirming the transfer to the Lessor of the Property, subject to the Prior Interests, on such Closing Date and acknowledging receipt of the aggregate purchase price of the Property transferred on such Closing Date, (ii) certifying that the representations and warranties of the Lessee set forth in Section 2.1 and Section 12.1 hereof are true and correct as of such Closing Date and (iii) certifying that no Event of Default, or event with which the lapse of time or the giving of notice or both could result in an Event of Default, has occurred.

(c) Counterparts of the Lessee Documents duly executed by the Lessee and, in the case of the Security Agreement, duly acknowledged in accordance with 49 U.S.C. § 11303, and the regulations thereunder.

(d) An opinion of tax counsel to the Lessor, satisfactory to the Lessor, as to the Federal income tax consequences of the transactions contemplated hereby.

(e) A certificate of the chief financial or accounting officer of the Lessee dated such Closing Date (i) confirming that the Lessee has not claimed any investment

tax credits or depreciation or cost recovery deductions with respect to the Property and (ii) substantially to the effect set forth in Paragraph (h) of Section 2.1 hereof.

(f) All documents which the Lessor may reasonably request in connection with the transactions contemplated by this Agreement.

Section 3.2. Conditions to Transfer. The obligation of the Lessee to transfer the Property as provided in Article 1 hereof on each Closing Date shall be subject to the receipt by the Lessee on each Closing Date of the following documents (receipt of any of which may be waived by the Lessee):

(a) An opinion of counsel for the Lessor dated such Closing Date to the effect set forth in paragraphs (a) through (d) of Section 2.2 hereof (which in the case of paragraph (c) (other than clause (i) thereof) may be to the best knowledge of such counsel).

(b) A certificate of an officer of the Lessor dated such Closing Date certifying that the representations and warranties of the Lessor set forth in Section 2.2 hereof are true and correct as of such Closing Date.

(c) Executed counterparts of the Lessor Documents.

(d) All documents which the Lessee may reasonably request in connection with the transactions contemplated by this Agreement.

Section 3.3. Exceptions. In giving the opinions specified in Sections 3.1 and 3.2 hereof, counsel may qualify its opinion that any agreement is enforceable in accordance with its terms by a general reference to limitations as to enforceability imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally.

ARTICLE 4. LEASE OF PROPERTY

Section 4.1. Term of Agreement. The term of this Agreement as to each item of Property (as to each item of Property, the "Lease Term") shall begin on the Closing Date on which such item is transferred and, subject only to the

provisions of Sections 1.4, 4.3 and 10.1 hereof, shall terminate twelve years and six months after such Closing Date (the "Termination Date"). This Agreement shall constitute a separate lease with respect to each item of the Property. Each Rental Payment (as defined in Section 4.2) with respect to the items of Property transferred on a Closing Date shall be deemed to have been made pro rata with respect to each such item of Property based on the Purchase Price of such item of Property and the aggregate Purchase Price of all items of Property transferred on such Closing Date.

Section 4.2. Amount and Date of Rental Payments. Subject to Section 1.3 hereof, as rental for each item of Property subject hereto, the Lessee agrees to pay the Lessor 25 consecutive semi-annual payments (the "Rental Payments") payable, in arrears, on each six-month anniversary of the Closing Date with respect to such item, during each year 1982 through 1993, and on the first such anniversary in 1994 (each such date being herein called a "Payment Date"). Each Rental Payment for items transferred on the First Closing Date shall be in an amount equal to 7.578% of the Purchase Price of each such item of Property then subject to this Agreement. Each Rental Payment for items transferred on the Second Closing Date shall be in an amount equal to 7.4964% of the Purchase Price of each such item of Property then subject to this Agreement. The portion of each Rental Payment due on any Payment Date equal to the scheduled amount of principal and interest due on the applicable Note on such Payment Date is hereinafter called a "Primary Rental Payment", and the remainder, if any, of any Rental Payment is hereinafter called an "Additional Rental Payment".

Section 4.3. Definition of Casualty Occurrence; Payments. (a) In the event that any item of Property shall become worn out, lost, stolen, destroyed, abandoned, or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever during its Lease Term or any item of Property shall be acquired by condemnation or otherwise by the United States Government or any other governmental entity or retired within the meaning of Section 168(d)(2)(C) of the Code ("Casualty Occurrence"), the Lessee shall notify the Lessor promptly, after knowledge, with respect thereto and pay the amount provided in Section 12.2(i) on the Payment Date next following the date of such notice (together with any Rental Payments owing for the period ending on such Payment Date). Upon the payment of such amounts, all Rental Payments for such item shall cease to accrue, the Lease Term as to such item shall

terminate, and any and all interests of the Lessor in and to such item shall, without further action, vest in the Lessee.

(b) Notwithstanding the provisions of paragraph (a) of this Section 4.3, if, in the opinion of the Lessee, a Casualty Occurrence with respect to an item of Property will not result in the loss to the Lessor of any ACRS Deduction or Investment Credit (as such terms are defined in Section 12.1 hereof) or in the acceleration of any income to the Lessor if the Lease Term with respect to such item is not terminated pursuant to such paragraph (a), then the Lease Term with respect to such item shall continue in accordance with the applicable terms of this Agreement. Notwithstanding the provisions of paragraph (a) of this Section 4.3, if, in the opinion of the Lessee, a Casualty Occurrence with respect to an item of Property will result in the loss to the Lessor of any ACRS Deduction or Investment Credit but will not result in the acceleration of any income to the Lessor (other than in respect of the receipt of any payment pursuant to this Section 4.3) if the Lease Term with respect to such item is not terminated pursuant to such paragraph (a), then the Lease Term with respect to such item shall continue in accordance with the applicable terms of this Agreement. Notwithstanding the provisions of paragraph (a) of this Section 4.3, if a Casualty Occurrence with respect to any item of Property shall have occurred, the Lessee shall have the right to elect to terminate the Lease Term with respect to such item of Property, whereupon the Lessee shall pay the Lessor with respect to each such item of Property on each Payment Date then remaining under its Lease Term (as if its Lease Term had not been terminated), as payment of the purchase price of such item for Tax Purposes, an amount equal to the Rental Payment that would have been due under Section 4.2 hereof with respect to such item on each such Payment Date had such election not been made with respect to such item (each such amount to be included in the definition of "Option Payment" set forth in Section 10.1(b) hereof). If the Lessee takes any of the actions described in the three preceding sentences, it shall pay the indemnity, if any, provided in Section 12.2(ii); provided, however, that the Lessee shall not take any of such actions, and this Section 4.3(b) shall not apply and Section 4.3(a) shall apply, if (i) the Lessor furnishes a written opinion of the Lessor's counsel to the effect that there is no substantial basis for the Lessee's action and for believing that the taking of such action would prevent the occurrence of a Disqualifying Event (as defined in Section 12.2) or (ii) if an Event of Default or event which with the

lapse of time or the giving of notice, or both, would constitute an Event of Default has occurred.

Section 4.4. Payments on Nonbusiness Days. If any Payment Date (other than the last Payment Date) is not a Business Day, any Rental Payment, any Casualty Payment or any Option Payment otherwise payable on such date shall be payable on the next Business Day, and no interest shall be payable thereon for the period from and after the scheduled date for payment thereof to such next Business Day. The term "Business Day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, or Chicago, Illinois, are authorized or obligated to remain closed. All amounts due under this Agreement which are not payable by set off pursuant to Section 1.3 hereof shall be paid in immediately available funds to such bank in the City of New York as may be designated from time to time by the Lessor or the Lessee, as the case may be, and any such amount which is paid after the date it is due shall bear interest from such due date until payment is made at a rate equal to 1% above the Prime Rate (as defined in Section 1.2), or, if less, the maximum rate allowed by law.

Section 4.5. Events of Default; Remedies. If, during the continuance of the Lease Term with respect to any item of Property, one or more of the following events (each such event being herein called an "Event of Default") shall occur:

(a) default shall be made in payment of any Additional Rental Payment, Casualty Payment (to the extent not subject to set off in Section 1.3), Additional Option Payment or the loan maturing on the Adjustment Date referred to in Section 1.2 and such default shall continue for five Business Days after actual receipt of written notice from the Lessor to the Lessee; or

(b) default shall be made in the observance or performance of any other of the covenants, conditions or agreements on the part of the Lessee contained in this Agreement or the Security Agreement and such default shall continue for 30 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied; or

(c) a material breach of a material representation in Section 2.1 hereof or in the Security Agreement, or a material inaccuracy in any material document delivered by the Lessee pursuant to the Lessee Documents; or

(d) any proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder or under the Security Agreement under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of such obligations), unless, in the case of an involuntary proceeding, such proceeding shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue) within 60 days after such proceeding shall have been commenced;

then, in the case of any such Event of Default:

(A) the Lessor may proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants, conditions or agreements as to which there is a default or to recover damages for the breach of this Agreement; and/or

(B) the Lessor by giving notice in writing to the Lessee, dated the date given (the "Acceleration Date"), shall have the right immediately to receive payment from the Lessee of:

(i) all Additional Rental Payments or Additional Option Payments, as the case may be, and other amounts in each case which under the terms of this Agreement had become due prior to the Acceleration Date; and

(ii) an amount equal to the present value, compounded semi-annually from the respective dates upon which such amounts would otherwise have been payable hereunder, of all Additional Rental Payments or Additional Option Payments, as the case may be, not then due hereunder, discounted at a rate sufficient to maintain the Lessor's Net Economic Return,

taking into account additional Federal income taxes due and cash flow benefits arising from the receipt of such amount.

Notwithstanding delivery of such notice, the Lease Term shall not be terminated and the obligation of the Lessee to make Primary Rental Payments and of the Lessor to make the corresponding payments of principal of and interest on the Notes shall continue without reduction or abatement. Upon payment of the amount provided in Section 4.5(B)(ii) hereof and any interest payable thereon pursuant to Section 4.4, however, the Lessor shall have no right to recover any further amounts from the Lessee with respect to Additional Rental Payments or Additional Option Payments, as the case may be, due or to become due under this Agreement, other than as provided in Section 4.5(B)(i) hereof. The rights provided for herein are cumulative and are not exclusive of any other of the Lessor's rights, powers, privileges or remedies provided by law or under this Agreement, including its rights under Article 12 hereof.

ARTICLE 5. INSURANCE

The Lessee will, during the Lease Term of any item of Property, with respect to such item of Property (and with respect to the Collateral as defined in the Security Agreement), cause to be carried and maintained public liability insurance with respect to third party personal and property damage in such amounts (subject to customary deductibles) and for such risks and with such insurance companies as is consistent with prudent industry practice but, in any event, not less comprehensive in amounts and against risks customarily insured against by the Lessee in respect of property owned or leased by it similar in nature to such items of Property or the Collateral.

ARTICLE 6. LAWS AND RULES

The Lessee agrees to comply with all laws of the jurisdictions in which its operations involving the Property may extend and with all lawful rules of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property if the failure to comply would adversely affect the Tax Benefits (as defined in Section 12.1) intended to be realized by the Lessor pursuant to this Agreement. At the Lessor's request, the Lessee will

prepare, at its own expense, and deliver to the Lessor (or, to the extent permissible, file on behalf of the Lessor) any reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the Lessor's interest in the Property.

ARTICLE 7. MAINTENANCE

The Lessee will, at its own expense, maintain each item of Property which is subject to this Agreement and the Collateral in good repair, ordinary wear and tear excepted.

ARTICLE 8. INDEMNIFICATION

Section 8.1. Indemnified Persons. The Lessee shall pay, and shall indemnify and hold the Lessor, any corporation affiliated with the Lessor, and the successors, assigns, agents and servants of the Lessor or such corporation ("Indemnified Persons") harmless from all causes of action, suits, claims or judgments or other costs, expenses (including, without limitation, reasonable fees and expenses of counsel or accountants) or liabilities which may be imposed on or asserted against or incurred by any Indemnified Person in any way relating to or arising out of, or with respect to, or as a consequence of this Agreement or the Property (except as otherwise provided herein) including, without limitation, those arising out of (i) the manufacture, construction, purchase, ownership, use, condition, maintenance, sale or other disposition of any item of Property; (ii) any latent and other defects whether or not discoverable by the Lessor or the Lessee; (iii) any claim for patent, trademark or copyright infringement; (iv) any claims based on strict liability in tort; (v) any injury to or the death of any person or any damage to or loss of property on or near any item of Property; or (vi) any Event of Default or exercise by the Indemnified Person of any remedy hereunder, any violation of any provision of the Lessee Documents (except by the Lessor) or of any agreement, law, regulation or restriction applicable to the Property or the leasing, ownership, use or maintenance thereof, except to the extent such claim arises from an act or omission of any Indemnified Person (all of which matters hereinabove set forth in this paragraph being herein called ("Indemnified Matters")). In case any action, suit or proceeding is brought against any Indemnified Person in connection with any Indemnified Matter, the Lessee may resist and defend such action, suit or proceeding and,

in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Lessee is required to make any payment under this Section 8.1, the Lessee shall pay such Indemnified Person an amount which, after deduction of all taxes, including net income taxes, required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of the United States, or of any political subdivision, instrumentality, or authority thereof or therein (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the sole discretion of the Indemnified Person) shall be equal to the amount of such payment. The Lessee and the Lessor each agree to give each other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this Section 8.1 by the Lessee, the Lessee shall be subrogated to any right of such Indemnified Person in respect of the Indemnified Matter against which indemnity has been given. Any payments received by such Indemnified Person from any person (except the Lessee) as a result of any Indemnified Matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this Section 8.1 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made to such Indemnified Person. If any Indemnified Person shall actually receive any future additional tax benefit from any item with respect to which the Lessee has indemnified such Indemnified Person pursuant to this Section 8.1, such Indemnified Person shall pay to the Lessee the amount of such benefit together with the amount of any tax benefit to such Indemnified Person arising from any payment pursuant to this sentence.

Section 8.2. Rights of Third Parties. None of the indemnities in Section 8.1 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

ARTICLE 9. POSSESSION AND USE

Section 9.1. Lessee's Rights To Use the Property; Sublease. The Lessee shall be entitled to the possession and use of the Property. The Lessee shall have the right to assign or transfer its interest in any item of Property or sublease or otherwise in any manner transfer possession or control of such item if either (A) (i) such assignment or transfer would not adversely affect the Federal income tax benefits intended to be realized by the Lessor pursuant to this Agreement and (ii) each assignee or transferee under such assignment or transfer shall have furnished to the Lessor its written consent to acquire its rights in the Property subject to the rights of the Lessor hereunder (which consent shall contain an agreement of such assignee or transferee to file the statement contemplated by Section 5c.168(f)(8)-2(a)(5) of the Temporary Regulations or any successor provision) and subject to the same restrictions on further transfer or assignment as apply to the Lessee under this Section 9.1, or (B) (i) such transfer or assignment is made to a person (or a corporate affiliate of a person) to which the transferor or assignor (or a corporate affiliate thereof) has not, during any period of twelve consecutive months including the time of such transfer or assignment and taking account of such transfer or assignment, assigned or transferred Property having an aggregate Purchase Price exceeding \$500,000, provided that the sum of the Purchase Prices of all Property assigned or transferred pursuant to this clause (B) (i) shall not exceed \$2,500,000 and (ii) the Lessee pays to the Lessor the indemnity provided in Section 12.2(i) resulting from such transfer or assignment; provided, however, that the foregoing shall not be deemed to require the Lessee to obtain such written consents from parties to which it has made, or may make, the Property available in the ordinary course of its business under any agreement which does not transfer any interest, within the meaning of the Temporary Regulations, in this lease or the Property, and the Lessee hereby represents and warrants that no such agreement constitutes, and the Lessee covenants that it will not hereafter enter into any such agreement which constitutes, a transfer of any such interest within the meaning of the Temporary Regulations without obtaining such written consent. If any assignee or transferee shall furnish its consent pursuant to clause (A) (ii) of the preceding sentence, the Lessor hereby agrees to execute and file a statement with its Federal income tax return for the taxable year in which such assignment or transfer occurs setting forth the information required by Section 5c.168(f)(8)-2(a)(5) of the Temporary Regulations or any successor provision. Without the written consent of the Lessor, no transfer or assignment of any item of Property shall release the Lessee from any of its obligations under this Agreement or the Security Agreement.

The only expected use outside the United States by the Lessee of the items of Property is use by a person in Canada or Mexico on a temporary basis which is not expected to exceed a total of 90 days in any tax year.

Section 9.2. Transfers by Lessee Through Merger, Acquisition or Consolidation. Nothing in this Article 9 shall be deemed to restrict the right of the Lessee to assign or transfer its interest in the items of Property or possession of the items of Property to any corporation incorporated under the laws of any state of the United States or the District of Columbia into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Agreement, and shall have assumed all of the obligations of the Lessee under this Agreement by an appropriate instrument in writing, and shall have furnished to the Lessor its written consent to acquire its rights in the Property subject to the rights of the Lessor hereunder (which consent shall contain its agreement to file the statement contemplated by Section 5c.168(f)(8)-2(a)(5) of the Temporary Regulations or any successor provision). If any assignee or transferee shall furnish its consent pursuant to the preceding sentence, the Lessor hereby agrees to execute and file a statement with its Federal income tax return for the taxable year in which such assignment or transfer occurs setting forth the information required by Section 5c.168(f)(8)-2(a)(5) of the Temporary Regulations or any successor provision.

ARTICLE 10. RIGHT TO PURCHASE;
TERMINATION OF LESSOR'S INTEREST
AT END OF LEASE TERM

Section 10.1. Right to Purchase Prior to Repayment Date. (a) If, at any time prior to the Repayment Date of any Prior Interest, either (A) all or a portion of the indebtedness secured by any Prior Interest shall have been accelerated pursuant to the terms of any Prior Interest or (B) in the reasonable opinion of the Lessee termination of the Lease Term with respect to any item of Property subject to a Prior Interest is necessary in order to satisfy the objections of any of the respective Prior Interest Holders under the Prior Interests or in order to prevent an event of default from occurring under the terms of any Prior Interest, the Lessee shall have the right from time to time to terminate the Lease Term with respect to any or all of such items of Property and purchase the rights and interests under this

Agreement in and to any or all of such items of Property (the "Option") for a purchase price of one dollar. The Option is exercisable without regard to whether or not (i) any Event of Default or any event which with the giving of notice or the lapse of time or both would constitute an Event of Default shall have occurred or be continuing, (ii) any Rental Payment, Casualty Payment, indemnity payment or other amount due or to become due under this Agreement shall have been made or (iii) any other event or circumstance has occurred or has not occurred. The Lessee shall exercise the Option by giving written notice to the Lessor specifying the date on which the Lease Term with respect to any item of Property shall be terminated and exercise of the Option with respect to such item shall be effective. The Lessee and the Lessor also agree that if an event of default has occurred under any of the Prior Interests and payment of the obligations due thereunder has been accelerated by the applicable Trustee, the respective Prior Interest Holders shall have the right (and said Prior Interest Holders are hereby deemed third party beneficiaries of such right) to exercise the Option either on their behalf or on behalf of the Lessee with respect to those items of Property subject to their respective Prior Interest. If the Option is exercised by the Lessee or a Prior Interest Holder, the Lessee shall pay the amount provided in Section 12.2(i) on the Payment Date next following the date of exercise of the Option (together with any Rental Payments owing for the period ending on such Payment Date).

(b) Notwithstanding the provisions of paragraph (a) of this Section 10.1, in the event the Lessee shall exercise the Option as to any item of Property, the Lessee shall be entitled to pay the Lessor with respect to each such item of Property on each Payment Date then remaining under its Lease Term (as if its Lease Term had not been terminated), as further payment of the purchase price of such item for Tax Purposes, an amount equal to the Rental Payment that would have been due under Section 4.2 hereof with respect to such item on each such Payment Date had the Option not been exercised with respect to such item (each such amount being herein called an "Option Payment" the portion of each Option Payment measured by a Primary Rental Payment being herein called a "Primary Option Payment" and the portion of each Option Payment measured by an Additional Rental Payment being herein called an "Additional Option Payment") and to pay the Lessor, with respect to the exercise of such Option, an indemnity calculated under Section 12.2(ii); provided, however, that the Lessee shall be obligated to pay an indemnity cal-

culated under Section 12.2(i) if (i) the Lessor furnishes a written opinion of the Lessor's counsel to the effect that there is no substantial basis for not treating such exercise as a Disqualifying Event or (ii) an Event of Default or event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default has occurred.

(c) Upon exercise of the Option with respect to an item of Property and payment of the one dollar option price by the Lessee, without regard to whether or not the Option Payments or any other payments hereunder are made, any and all rights and interests of the Lessor with respect to such item shall, without further action, irrevocably vest in the Lessee. The exercise of the Option shall in no way limit or affect the Lessor's rights under Article 12 hereof.

Section 10.2. Right to Purchase or Require Purchase at the Termination Date. On the Termination Date, and without regard to whether an Event of Default, or an event which with notice or lapse of time or both would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall have the right to purchase all the rights and interests of the Lessor in and to all the remaining Property for an aggregate purchase price of one dollar. On the Termination Date, the Lessor shall have the right to require the Lessee to purchase all the rights and interests of the Lessor in and to all the remaining Property for an aggregate purchase price of one dollar. Unless each of the Lessee and the Lessor shall give written notice to the other party at least 90 days prior to the Termination Date stating that the Lessee or the Lessor, as the case may be, does not intend to exercise its option under this Section 10.2, both such options shall be deemed exercised on the Termination Date and on the Termination Date all interest of the Lessor in and to the remaining Property shall, without further action, vest in the Lessee (but without prejudice to any other rights of the Lessor under the Agreement or otherwise).

ARTICLE 11. CERTAIN TAXES

Section 11.1. Indemnification for Taxes. Whether or not any of the transactions contemplated hereby are consummated, the Lessee agrees to pay, and to indemnify and hold the Lessor, any corporation affiliated with the Lessor, and the successors, assigns, agents and servants of the Lessor or any such corporation (hereinafter called the "Indemnified Persons") harmless from, all license, documenta-

tion, recording and registration fees, taxes, assessments, fees and charges and withholdings of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Indemnified Person by any Federal, state or local government or governmental subdivision in the United States or by any foreign country or subdivision thereof, or by any authority or instrumentality of any of the foregoing upon or with respect to, any item of Property; the purchase, ownership, delivery, maintenance, leasing, possession, use, transfer of title, return or other disposition thereof; the Notes or other indebtedness with respect thereto; the rentals, receipts or earnings arising therefrom; or this Agreement, the Security Agreement or the Notes or any payment made pursuant to this Agreement (all such license, documentation, recording and registration fees, taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being herein called "Taxes"); excluding, however: (i) Taxes (other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Agreement) of the United States or of any state or political subdivision thereof imposed on or measured by the net income or excess profits or items of tax preference of the Lessor; (ii) any Taxes imposed as a direct result of any act or failure to act on the part of the Lessor which results in the occurrence of a disqualifying event included among those set forth in Section 5c.168(f)(8)-8(b) of the Temporary Regulations or a voluntary transfer or other voluntary disposition by the Lessor or any transfer or disposition by the Lessor resulting from the bankruptcy of the Lessor or other proceedings for the relief of debtors in which the Lessor is the debtor seeking relief, whether voluntary or involuntary, of any interest in any item of Property or interest in Rental Payments, Casualty Payments, Option Payments or other payments under this Agreement or any other interest in this Agreement unless such transfer or disposition is made after the occurrence of an Event of Default (or an event which with the giving of notice or the passage of time would constitute an Event of Default) relating to a monetary obligation not subject to set off pursuant to Section 1.3 hereof; and (iii) Taxes which are imposed on or measured by the net income of the Lessor if and to the extent that such Taxes are in substitution for or actually reduce the Taxes payable by any other person which the Lessee has not agreed to pay or indemnify against pursuant to this Section 11.1; (iv) Taxes of any foreign country or subdivision thereof incurred as a result of the

Indemnified Person being taxed by such foreign country or subdivision on its worldwide income unless the Indemnified Person would not be so taxed on its worldwide income but for the existence of the Lessor's interest in the Property or the transactions contemplated by this Agreement or any act or omission by the Lessee; (v) if and to the extent that the Lessor is entitled to (subject to the limitations of applicable law) a credit therefor against its United States Federal income taxes, Taxes of any foreign country or subdivision thereof, imposed on or measured by the net income or excess profits of the Lessor or which are franchise taxes to the extent measured by gross receipts or net income based on gross receipts of the Lessor or gross receipts taxes other than gross receipts taxes in the nature of sales or use taxes; provided, however, that the Lessee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided in Section 11.2 hereof. In the event the Lessee is required to make any payment under this Article 11, the Lessee shall pay the Indemnified Person an amount which, after deduction of all taxes, including net income taxes, required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of the United States, any foreign country or of any political subdivision, instrumentality or authority thereof or therein (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the Taxes indemnified against, and of any other such taxes as determined in the sole discretion of the Indemnified Person), shall be equal to the amount of such payment.

Section 11.2. Claims; Contests; Refunds. If claim is made against any Indemnified Person for any Taxes indemnified against under this Article 11, the Indemnified Person shall promptly notify the Lessee. If reasonably requested by the Lessee in writing, the Indemnified Person shall, at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Taxes by (a) resisting payment thereof if possible, (b) not paying the same except under protest, if protest is necessary and proper, or (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings or both. The Lessee may also contest, at its own expense, the validity, applicability or amount of such Taxes in the name of the Indemnified Person or in its own name. The Lessee agrees to give the Indemnified Person reasonable notice of such contest prior to the commencement thereof. If the Indemnified Person shall receive a refund of

all or any part of such Taxes previously reimbursed by the Lessee or any amount representing interest thereon, the Indemnified Person shall pay the Lessee the amount of such refund or interest net of expenses. If the Indemnified Person shall actually receive any future additional tax benefit from any item with respect to which the Lessee has indemnified the Indemnified Person pursuant to this Article 11, or from any payment to the Lessee under this sentence, such Indemnified Person shall recalculate the amount of the indemnity under Section 11.1 and repay the Lessee any indemnity previously paid to the extent necessary so that such Indemnified Person is not indemnified more than 100% for the item to which the indemnity applies.

Section 11.3. Reports or Returns. In case any report or return is required to be made with respect to any obligation of the Lessee under or arising out of this Article 11, the Lessee will, where permitted to do so under applicable rules and regulations, make and timely file such reports and returns in such manner as to show the interest of the Lessor in the Property as shall be satisfactory to the Lessor or, where not so permitted, will notify the Lessor of such requirement and will prepare and deliver such reports to the Lessor within a reasonable time prior to the time such reports are to be filed.

ARTICLE 12. FEDERAL INCOME TAX INDEMNITIES

Section 12.1. Tax Benefits to Lessor. In entering into this Agreement and the transactions contemplated hereby, it is the intention of the Lessor and the Lessee that such transactions will result in making available to the Lessor the following tax benefits (the "Tax Benefits") for the purpose of determining its liability for Federal income tax:

(a) the Lessor shall be entitled to an investment credit with respect to each item of Property pursuant to Section 38 and related sections of the Internal Revenue Code of 1954, as amended to the date hereof (the "Code"), in 1981 in an amount equal to 10% of the Purchase Price, determined by reference to the First Adjustment Price or the Second Adjustment Price, as the case may be, of such item (but prior to any adjustment pursuant to Section 1.1(d)) (the "Investment Credit");

(b) The Lessor shall be entitled to cost recovery

deductions for each item of Property under Section 168 of the Code in an amount equal to the following percentages of its Purchase Price, determined by reference to the First Adjustment Price or the Second Adjustment Price, as the case may be (but prior to any adjustment pursuant to Section 1.1(d)): 15 % in 1981, 22% in 1982 and 21% in each of 1983, 1984 and 1985, resulting in a reduction of the Lessor's basis in the items of Property to a net salvage value of zero (the "ACRS Deductions");

(c) the Lessor shall be entitled to deductions with respect to interest due on the Notes pursuant to Section 163 of the Code as if such interest were paid in cash in the amounts and at the times specified in Appendix B to the Notes (prior to any adjustment pursuant to Section 1.1(d)) (the "Interest Deductions");

(d) the Lessor shall only be required to include in gross income with respect to the transactions contemplated by this Agreement (i) Rental Payments and Option Payments in the amounts specified in Section 4.2 and 10.1 hereof accrued ratably over the six-month periods to which such payments relate, (ii) the amount of any Casualty Payment on the date on which such amount is herein required to be paid, (iii) the amount of any indemnities (not including amounts advanced by the Lessee pursuant to Section 12.5(b)(ii)) paid by the Lessee at the time of such payment, (iv) the amount of any payments paid by the Lessee to the Lessor under Section 4.5 hereof, at the time received by the Lessor and (v) overdue interest paid by the Lessee to the Lessor in accordance with Section 4.4 hereof accrued over the period to which such interest relates; and

(e) the Lessor shall be entitled to claim that each item of income, gain, loss, deduction or credit with respect to the transactions contemplated by this Agreement (including the Interest Deductions) will be treated as derived from, or allocable to, sources within the United States.

The Lessee agrees to maintain and make available to the Lessor sufficient records as are reasonably necessary to enable the Lessor to establish the factual matters upon which the Tax Benefits are based.

The Lessee represents and warrants that (a) each

item of Property was "new section 38 property" as defined in Section 48(b) of the Code of the Lessee, (b) assuming that the Lessor is not a person described in Section 48(a)(4) or 48(a)(5) of the Code whose ownership of property would be inconsistent with the property being "section 38 property" (within the meaning of Section 48(a) of the Code) and based on the representation of the Lessor in Section 2.2(e) hereof, with respect to this Agreement the Property is "qualified leased property" (as defined in Section 168(f)(8)(D)(ii) of the Code), (c) all items of Property have been or will be placed in service by the Lessee (within the meaning of Section 5c.168(f)(8)-6(b)(2)(i) of the Temporary Regulations) on or prior to December 31, 1981, (d) the Purchase Price (determined without regard to any adjustment under Section 1.1(d)) of each item of Property does not exceed the Lessee's Basis with respect to such item, (e) the present class life of the Property (within the meaning of Section 168(g)(2) of the Code) is 15 years and (f) all of the Property is "5-year property" within the meaning of Section 168(c)(2)(B) of the Code for which the Lessee (in the absence of this Agreement) would be allowed cost recovery deductions according to the schedule set forth in Section 168(b)(1)(A) of the Code.

Section 12.2. Indemnification for Loss of Tax Benefits. If for any reason whatsoever (except as provided in Section 12.3 hereof) the Lessor (a) shall lose, or shall not have, or shall lose the right to claim or shall suffer a disallowance of or shall be required to recapture all or any portion of the Investment Credit, the ACRS Deductions or the Interest Deductions, (b) is required to include in gross income any of the amounts specified in clause (d) of Section 12.1 hereof at a time other than the time specified therein or is required to include in gross income any amount with respect to any addition or improvement made by the Lessee to an item of Property, or otherwise with respect to the Property (including with respect to the leasing or sale or other disposition thereof) and/or the transactions contemplated by this Agreement which is not specified in clause (d) of Section 12.1, or (c) or as a result of the location or use of any item of Property outside the United States, is unable to utilize, as a credit against its United States Federal income tax liability, foreign taxes which it would have been able to so utilize were it not that an item of income, gain, loss, deduction or credit has been treated as derived from, or allocable to, sources without the United States (any such event described in clauses (a), (b) and/or (c) of this paragraph being hereinafter called a "Loss"), then

(i) in the case of a Loss resulting from a Disqualifying Event (as hereinafter defined), or a Voiding Event (as hereinafter defined) with respect to an item of Property, the Lessee shall pay to the Lessor on the Payment Date next following the later of the date of written notice of a claim for such payment by the Lessor or the completion of any contest with respect to such Loss under Section 12.5, an amount equal to the sum of (a) the Casualty Value of such item of Property determined as provided in Exhibit C-I (if the item was transferred on the First Closing Date) or C-II (if the item was transferred on the Second Closing Date) hereto applicable to such Payment Date, and (b) an amount which, on an after-tax basis (taking account of all Federal, state, local or foreign taxes), shall be equal to the sum of any interest, penalties and additions to tax payable by the Lessor as a result of such Disqualifying Event or Voiding Event and any additional tax payable by the Lessor because it is not allowed to deduct or offset against ordinary income the portion of the Purchase Price of such item which it paid in cash not later than such Payment Date (and less any reduction in tax attributable to the characterization of gain from the recovery of such cash portion of the Purchase Price as capital gain); or

(ii) in the case of a Loss not resulting from a Disqualifying Event or Voiding Event, the Lessee shall pay to the Lessor such amount or amounts as will, in the reasonable opinion of the Lessor, cause the Lessor's economic yield (i.e., the rate of return available to a lessor utilizing leveraged lease accounting as provided in Financial Accounting Standards Board Opinion No. 13 as in effect on the date hereof) and total after-tax cash flows (such yield and flows being hereinafter called the Lessor's "Net Economic Return"), computed on the same set of assumptions used by the Lessor in its original computation of the yield and cash flows arising from this Agreement, to equal the Net Economic Return originally computed by the Lessor; the payment of such amount or amounts to be made at the sole option of the Lessor either in a lump sum or in installments over time, but no payment shall be required in respect of such a Loss prior to the later of 30 days after the date of notice from the Lessor to the Lessee of such Loss or the completion of any contest with respect to the Loss under Section 12.5; provided, however, that any adjustments will be made in the manner least costly to the Lessee. In all cases in which Net Economic Return is calculated under this Agreement, an officer of the

Lessor shall specify in writing the assumptions and methods employed in the calculation, and such calculations shall, at the Lessee's written request, be verified by experts or independent public accountants selected by the Lessee and satisfactory to the Lessor. The costs of any such verification shall be paid by the Lessee unless the Lessor's calculations are found to be materially inaccurate adversely to the Lessee in which case such costs shall be paid by the Lessor.

If the Lessor claims payment hereunder on account of any Loss, the Lessor shall provide the Lessee with a written notice of such claim, which notice shall be accompanied by the officer's written statement referred to above. A "Disqualifying Event" with respect to an item of Property shall mean an event which shall cause this Agreement to cease to be treated as a lease of such item under section 168(f)(8) of the Code but only if income from any disposition of such item caused by the cessation of the lease is not deferred for Tax Purposes under the installment method or otherwise to a time later than the time of the disposition. A "Voiding Event" with respect to an item of Property shall mean an event which shall cause the election under section 168(f)(8) of the Code with respect to such item of Property to be void as of the Closing Date with respect to such item of Property.

Section 12.3. Nonindemnified Loss. The Lessee shall not be required to indemnify the Lessor for any Loss to the extent that the Loss is caused by any act or omission of the Lessor (other than entering into this Agreement or the Security Agreement or carrying out the transactions contemplated thereby) including without limitation: (a) the failure of the Lessor to claim in a timely manner (including making all appropriate elections under the applicable income tax regulations and filing all required information statements and returns) or to follow the proper procedure in claiming the Investment Credit, the ACRS Deductions, or the Interest Deductions or any foreign tax credit or to make a timely election or claim if permitted by the Code to treat any income, gain, loss, deductions, or credit with respect to the items of Property as derived from, or allocable to, sources within the United States, (b) the failure of the Lessor to have sufficient liability for income taxes against which to credit the Investment Credit or sufficient income to benefit from the ACRS Deductions or the Interest Deductions, (c) a voluntary transfer or other voluntary disposition by the Lessor of an item of Property or any interest therein or any

interest in the rentals derived therefrom or any interest in this Agreement, or a transfer or other disposition of an item of Property or any interest therein or any interest in the rentals derived there from or any interest in this Agreement which results from the bankruptcy of the Lessor or other proceedings for the relief of debtors in which the Lessor is the debtor seeking relief, unless such transfer or disposition is made after the occurrence of an Event of Default (or an event which with the giving of notice or the passing of time would constitute an Event of Default) relating to a monetary obligation not subject to set off pursuant to Section 1.3 hereof, (d) with respect to any item of Property to which the Loss relates, any change in or amendment to Federal tax law (including, without limitation, the Code, any regulations promulgated thereunder, and any pronouncement or ruling by the Internal Revenue Service or the Treasury Department) enacted, issued or promulgated after the Closing Date with respect to such item, (other than any such change or amendment contained in the final regulations first promulgated under Section 168(f)(8) of the Code or occurring on or prior to the date on which such regulations are promulgated), (e) the applicability to the Lessor of Sections 465, 46(c)(8), 46(c)(9) or 47(d) of the Code (unless any such Section applies because the Lessee is subject to any of such Sections), or Sections 55, 56 or 57(a) of the Code, (f) the failure of the Lessor to file any tax returns in a manner consistent with the assumptions set forth in subparagraph (d) of Section 12.1 hereof, (g) inaccuracy or breach of the representations and warranties of the Lessor in Sections 2.2(e) or 2.2(f) hereof, (h) the failure of the Lessor to file the required information returns described in Section 5c.168(f)(8)-2(a)(3) of the Temporary Regulations, (i) the wilful misconduct or gross negligence of the Lessor or (j) Failure of the Lessor to be a "United States person" within the meaning of Section 48(a)(2) (B)(ii)(II) of the Code or a qualifying corporation under Section 168(f)(8)(B)(i)(I) of the Code.

Section 12.4. Effect of Reductions of Lessor's Tax Liability. If the event which results in a Loss for which amounts become payable hereunder has the effect of reducing the tax liability of the Lessor in any respect, the Lessor shall take into consideration in computing the amounts to be paid by the Lessee to the Lessor (in a manner consistent with the assumptions used in making such computations) the amount of such reduction.

For purposes of this Article 12, the term "Lessor" shall include any affiliated group, within the meaning

of Section 1504 of the Code, of which the Lessor is a member if consolidated returns are filed for such affiliated group for Federal income tax purposes.

If the Lessee shall be required to make any payment pursuant to this Article 12, the schedule of Casualty Payments set forth in Exhibit C-I or Exhibit C-II, as the case may be, hereto, Rental Payments and payments on the Notes shall be adjusted accordingly.

Section 12.5. Disallowance and Contests. Upon receipt by the Lessor of a written notification from the Federal taxing authorities of any proposed assessment or other action which would result in a Loss for which an amount may be payable by the Lessee in accordance with this Article 12 (hereinafter called a "Disallowance"), the Lessor shall promptly notify the Lessee of such Disallowance after receipt of such written notification from the applicable taxing authority.

The Lessor shall be under no obligation whatsoever to contest such Disallowance unless:

(a) the Lessee shall request the Lessor to contest such Disallowance within 30 days after receipt by the Lessee of notice from the Lessor and within 30 days thereafter tax counsel of recognized standing satisfactory to the Lessor and selected by the Lessee shall render a written opinion that the Lessor has a reasonable basis for claiming the Tax Benefits that are the subject of such Disallowance;

(b) the Lessee shall agree (i) to indemnify the Lessor in a manner reasonably satisfactory to the Lessor for any liability or loss, and shall agree to pay on demand all costs or expenses including reasonable fees and expenses of counsel, incurred by the Lessor in connection with contesting such Disallowance, and (ii) if the Lessor should choose in its discretion to pay the additional tax and seek a refund, to advance to the Lessor an amount equal to the sum of any tax, interest, penalties and additions to the tax which are required to be paid.

(c) the proposed assessment or other action would result in a Loss for which an amount in excess of \$25,000 would be payable by the Lessee in accordance

with this Article 12 or in the good faith opinion of the Lessee the proposed contest would have a continuing or precedential effect on the Lessee or the railroad industry, and Lessee so advises the Lessor in writing stating the reasons for its opinion.

The Lessor, at its sole option, may choose to forego any and all administrative appeals, proceedings, hearings and conferences with the relevant taxing authority in respect of such Disallowance, but shall contest the Disallowance in a court of competent jurisdiction which court shall be selected by the Lessor at its sole option. The Lessor shall not be obligated to appeal any adverse determination by such court, unless tax counsel of recognized standing satisfactory to the Lessor and selected by Lessee shall, at the request and expense of the Lessee, deliver a written opinion to the Lessor to the effect that the Lessor has a reasonable basis for making such appeal. Nothing contained in this paragraph shall require the Lessor to contest any Disallowance if the Lessor shall waive the payment by the Lessee of any amount that might otherwise be payable by the Lessee under this Article 12 by way of indemnity in respect of such Disallowance.

At all stages of any contest of a Disallowance, the Lessor shall pursue the contest by any proceedings available under applicable law, regulations or court rules which in its sole discretion it determines to pursue, and shall determine in its sole discretion whether (a) to petition for a redetermination of the deficiency proposed to be assessed as a result of the Disallowance or (b) to pay the deficiency and institute an action in a court of competent jurisdiction for a refund of taxes paid. The Lessee shall provide counsel (selected by the Lessee) to conduct such contest, or to assist counsel of the Lessor in conducting such contest, as the Lessor in its sole discretion shall determine, it being agreed that the ultimate control of any such contest shall be in the sole discretion of the Lessor unless, and to the extent the Lessor, in its sole discretion, should choose to permit such contest to be controlled by the Lessee.

The Lessor shall not enter into a settlement or other compromise with respect to any Disallowance which does not preserve the right to further contest the Disallowance (but only if the Lessor is obligated to further contest the Disallowance hereunder) without the prior written consent of the Lessee, unless the Lessor shall waive its right to be

indemnified with respect to such Disallowance under this Article 12.

If the Lessor obtains a refund of all or any part of any tax advanced by the Lessee pursuant to Section 12.5(b)(ii), and if no Event of Default shall have occurred and be continuing, the Lessor shall pay promptly to the Lessee the amount of such refund together with any amount representing interest thereon paid by the taxing authority asserting the Disallowance.

ARTICLE 13. FURTHER ASSURANCES

The Lessee will from time to time at its own expense do and perform any act, and will execute, acknowledge, deliver, file, register, deposit and record (and will refile, reregister, redeposit or rerecord whenever required) any and all instruments required by law or reasonably requested by the Lessor for the purpose of proper protection, to the Lessor's satisfaction, of the Lessor's rights and interests under the Lessee Documents, or for the purpose of carrying out the intention of the Lessee Documents; and, if required by the Lessor, the Lessee will promptly furnish to the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor; provided, however, that the Lessee shall not be required to take such actions if, in the opinion of counsel of recognized standing, selected by the Lessee and satisfactory to the Lessor, such action is not necessary to protect the Lessor's rights and interests under the Lessee Documents or to carry out the intention thereof.

ARTICLE 14. MISCELLANEOUS

Section 14.1. Reports and Information. On or before April 1 in each year, commencing with calendar year 1983, the Lessee will furnish to the Lessor an accurate statement setting forth as at the preceding December 31 the description of each item of Property (or of the underlying flatcar) then leased hereunder, and the description of each item of Property (or of the underlying flatcar) that suffered a Casualty Occurrence during the preceding calendar year and such other information regarding the condition of the Property as the Lessor may reasonably request. The Lessor and its agents and employees shall have the right of access to the Lessee's records and informational system regarding the location of each item of Property, and shall have the right of access to the Lessee's premises where any item of Property is located for the purpose of inspecting such item, at all

reasonable times during normal business hours upon prior written notice to the Lessee and subject to the Lessee's secrecy, security and safety regulations generally applicable to third parties regarding the Property involved.

Section 14.2. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, at Kerr-McGee Center, P.O. Box 25861, Oklahoma City, Oklahoma 73125, Attention of Treasurer,

(b) if to the Lessee, at 101 North Wacker Drive, Chicago, Illinois 60606, Attention of Vice President--Finance,

or addressed to any party at such other address as such party shall hereafter furnish to the other party in writing.

Section 14.3. Expenses. Comdisco, Inc., has agreed to pay all costs and expenses in connection with the preparation and execution of this Agreement and the Notes, including, without limitation, document preparation and duplicating costs and the fees and disbursements of special counsel for the Lessor and the Lessee. Neither the Lessor nor the Lessee shall be responsible for any such costs incurred by the other; provided, however, that unless otherwise agreed by the parties hereto, all costs and expenses in connection with any amendment or requested amendment of, or waiver or consent or requested waiver or consent under or with respect to, this Agreement or the Notes, including those of counsel for the Lessor and the Lessee, shall be paid by the party requesting such amendment, waiver or consent.

Section 14.4. Survival. All covenants, agreements, representations and warranties made herein and in certificates delivered pursuant hereto shall survive the execution of this Agreement and shall benefit the respective successors and assigns of the parties hereto, and such warranties and representations and all matters set forth in such certificates shall be deemed to have been material and relied upon by each party hereto as being true and correct on the date or dates as of which such warranties and representations are made and such certificates delivered, regardless of any investigation which may have been made by any party or on its behalf.

Section 14.5. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 14.6. Effect and Modification of this Agreement. This Agreement exclusively and completely states the rights of the Lessor and the Lessee with respect to the Property and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatures for the Lessor and the Lessee.

Section 14.7. Third Party Beneficiaries. Except as expressly provided in Section 10.1 hereof, nothing in this Agreement shall be deemed to create any right in any person not a party hereto (other than the permitted successors and assigns of a party and Indemnified Persons) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

Section 14.8. Execution. This Agreement may be executed in several counterparts, such counterparts together constituting but one and the same instrument. It shall not be necessary that any counterpart be signed by both parties hereto so long as each party hereto shall have executed one counterpart hereof, in which case this Agreement shall become effective when both parties have delivered a signed counterpart to special counsel for the Lessee. Although for convenience this Agreement is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

Section 14.9. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by, and construed in accordance with, the laws of the State of Illinois.

Section 14.10. Immunities; No Recourse. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed, and have affixed their respective seals, by duly authorized officers or other persons as of the date first above written.

TRAILER TRAIN COMPANY,

by _____

Title: _____

[Corporate Seal]

Attest:

KM RAILCAR LEASING CORPORATION,

by _____

Title: _____

[Corporate Seal]

Attest:

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this day of November 1981, before me
personally appeared , to me personally
known, who, being by me duly sworn, says that he is
 of TRAILER TRAIN COMPANY, that one of
the seals affixed to the foregoing instrument is the cor-
porate seal of said corporation, that said instrument was
signed and sealed on behalf of said corporation by authority
of its Board of Directors, and he acknowledged that the
execution of the foregoing instrument was the free act and
deed of said corporation.

Notary Public

[Notarial Seal]

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this day of November 1981, before me
personally appeared , to me personally
known, who, being by me duly sworn, says that he is
 of KM RAILCAR LEASING CORPORATION,
that one of the seals affixed to the foregoing instrument
is the corporate seal of said corporation, and that said
instrument was signed and sealed on behalf of said corpo-
ration by authority of its Board of Directors, and he
acknowledged that the execution of the foregoing instrument
was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

Description of Property For First Closing

The following is a general description of property to be transferred, pursuant to this Agreement, on the First Closing Date. This Exhibit A-I includes modifications by the Lessee to its railroad rolling stock which were completed on or after January 1, 1981, and on or before November 12, 1981; provided, however, that the maximum amount for purposes of the First Closing Date is \$9,350,000 (or such higher amount as the Lessor and the Lessee shall agree); provided further, however, that all property which would have become subject to this Agreement on the First Closing Date but for the fact that the aggregate Purchase Price of such property exceeds such maximum amount shall be excluded from the property which becomes subject to this Agreement on the First Closing Date, ab initio, in the reverse order acquired by the Lessee, such that such property shall never have become subject to this Agreement on the First Closing Date; provided further, however, that any property so excluded delivered three months prior to the Second Closing Date shall be included in the property described in Exhibit A-II to this Agreement.

<u>Description</u>	<u>Amount</u>
<u>Wide Body Autorack Modification</u>	
Material (primarily auxiliary side sills and reinforcement plates) and labor applied to existing autorack and other flatcars to enable the application of new, wider and heavier fully enclosed multi-level autoracks.	\$
<u>Conversion of Bulkhead Flatcars</u>	
Material (primarily chain tie-down channels and winches) and labor applied to bulkhead flatcars to convert to heavy duty or farm implement flatcars	
<u>STTX Conversion</u>	
Material (primarily hitches, guide rails and bridgeplates) and labor applied to existing 89' flatcars to enable hauling of 2 45' truck trailers	

<u>Description</u>	<u>Amount</u>
<u>Applications of Resilient Side Bearings</u>	
Material (eight resilient side bearing devices) and labor applied to existing truck sidebearings to improve ride qualities and reduce truck vibration	\$
<u>Major Maintenance - Fully Depreciated Cars</u>	
Material and labor to perform scheduled major maintenance on cars fully depreciated. Scheduled major maintenance consists of complete inspection and repair of all major flatcar components including trucks, hitches, draft systems, air brakes and other parts	
<u>Hitch Modification</u>	
Material (primarily knockdown levers and top plates) applied to hitches on flatcars to convert from automatic to semiautomatic operation	
<u>A-1 Valve Application</u>	
Material (supplementary valve) and labor applied to the brake systems of certain flatcars pursuant to Association of American Railroad Requirement issued in 1979	
Total	<u>\$9,350,000</u>

The amendment to this Exhibit A-I delivered pursuant to Section 1.2 of the Agreement shall be accompanied by a certificate of an officer of the Lessee stating that (i) the items of Property listed in the amended Exhibit A-I were placed in service by the Lessee on or after January 1, 1981 and on or before November 12, 1981, and (ii) that such items of Property are included in the general description above.

Description of Property For Second Closing

The following is a general description of items of property to be transferred pursuant to this Agreement, on or after the Second Closing Date. This Exhibit A-II includes all modifications by the Lessee to its railroad rolling stock which were completed three months prior to the Second Closing Date (to the extent not included in Exhibit A-I, as amended), and on or before December 31, 1981; provided, however, that the maximum "Lessee's Basis" for purposes of the Second Closing Date is \$5,740,000 (or such higher amount as the Lessor and the Lessee shall agree) and; provided further, however, that all property which would have become subject to this Agreement but for the fact that the aggregate Purchase Price of such items exceeds such maximum "Lessee's Basis" shall be excluded from this Agreement ab initio in the reverse order acquired by the Lessee, such that such items shall never have become subject to this Agreement.

<u>Description</u>	<u>Amount</u>
<u>Wide Body Autorack Modification</u>	
Material (primarily auxiliary side sills and reinforcement plates) and labor applied to existing autorack and other flatcars to enable the application of new, wider and heavier fully enclosed multi-level autoracks	\$
<u>Conversion of Bulkhead Flatcars</u>	
Material (primarily chain tie-down channels and winches) and labor applied to bulkhead flatcars to convert to heavy duty or farm implement flatcars	
<u>STTX Conversion</u>	
Material (primarily hitches, guide rails and bridgeplates) and labor applied to existing 89' flatcars to enable hauling of 2 45' truck trailers	

<u>Description</u>	<u>Amount</u>
<u>Applications of Resilient Side Bearings</u>	
Material (eight resilient side bearing devices) and labor applied to existing truck side-bearings to improve ride qualities and reduce truck vibration	\$
<u>Major Maintenance - Fully Depreciated Cars</u>	
Material and labor to perform scheduled major maintenance on cars fully depreciated. Scheduled major maintenance consists of complete inspection and repair of all major flatcar components including trucks, hitches, draft systems, air brakes and other parts	
<u>Hitch Modification</u>	
Material (primarily knockdown levers and top plates) applied to hitches on flatcars to convert from automatic to semiautomatic operation	
<u>A-1 Valve Application</u>	
Material (supplementary valve) and labor applied to the brake systems of certain flatcars pursuant to Association of American Railroad Requirement issued in 1979	
Total	<u>\$5,740,000</u>

The amendment to this Exhibit A-II delivered pursuant to Section 1.2 of the Agreement shall be accompanied by a certificate of an officer of the Lessee stating that (i) the items of Property listed in the amended Exhibit A-II were placed in service by the Lessee after a specified date (not more than three months prior to the Second Closing Date) and before a specified date (but not later than December 31, 1981) and (ii) that such items of Property are included in the general description above.

Casualty Schedule

<u>Payment Date</u>	<u>Aggregate Casualty Payment Percentage</u>	<u>Percentage Attributable to Principal of Note</u>
11/12/81	82.9599%	66.7200%
05/12/82	88.8588	65.0634
11/12/82	90.5355	63.2598
05/12/83	90.6667	61.2961
11/12/83	91.0779	59.1581
05/12/84	90.8432	56.8304
11/12/84	89.7513	54.2961
05/12/85	87.7609	51.5369
11/12/85	84.8321	48.5328
05/12/86	81.5614	46.1401
11/12/86	78.0784	43.5350
05/12/87	74.3641	40.6987
11/12/87	70.3981	37.6107
05/12/88	66.1848	34.2487
11/12/88	61.9102	32.2882
05/12/89	57.3349	30.1538
11/12/89	52.6134	27.8300
05/12/90	47.5902	25.2999
11/12/90	42.4020	22.7053
05/12/91	36.8961	19.8803
11/12/91	31.2029	16.8047
05/12/92	25.1817	13.4561
11/12/92	18.9882	10.2404
05/12/93	12.4172	6.7392
11/12/93	5.6534	2.9273
05/12/94	0	0

The Casualty Value on any Payment Date with respect to an item of Property shall equal the percentage of the Purchase Price of an item of Property set forth above opposite such Payment Date (adjusted as follows). Such percentages have been computed without regard to recapture of Investment Credit. Consequently, the percentage applicable on any Payment Date with respect to (i) a Disqualifying Event with respect to such item shall be increased by the percentage of the Purchase Price set forth below for the number of full years of service of such item after the Closing Date and (ii) a Voiding Event shall be increased by the percentage of the Purchase Price set forth below applicable to 0 full years of service after the Closing Date.

Number of Full
Years of Service

Percentage of
Purchase Price

0	19.2901%
1	15.4321
2	11.5741
3	7.7160
4	3.8580
5 or more	0

Casualty Schedule

<u>Payment Date</u>	<u>Aggregate Casualty Payment Percentage</u>	<u>Percentage Attributable to Principal of Note</u>
12/01/81	82.9599%	65.7700%
06/01/82	88.5851	64.1107
12/01/82	89.7288	62.3041
06/01/83	89.8429	60.3372
12/01/83	90.3363	58.1957
06/01/84	90.0514	55.8642
12/01/84	88.9079	53.3257
06/01/85	86.8533	50.5620
12/01/85	83.8879	47.5530
06/01/86	80.6117	44.2769
12/01/86	77.0448	41.0065
06/01/87	73.1878	37.4458
12/01/87	69.3967	35.7691
06/01/88	65.3102	33.9436
12/01/88	61.0897	31.9561
06/01/89	56.5774	29.7922
12/01/89	51.9011	27.4363
06/01/90	46.9364	24.8713
12/01/90	41.7978	22.0786
06/01/91	36.3700	19.0381
12/01/91	30.7923	15.7277
06/01/92	24.9312	13.0736
12/01/92	18.8300	10.1838
06/01/93	12.3486	7.0376
12/01/93	5.6273	3.6122
06/01/94	0	0

The Casualty Value on any Payment Date with respect to an item of Property shall equal the percentage of the Purchase Price of an item of Property set forth above opposite such Payment Date (adjusted as follows). Such percentages have been computed without regard to recapture of Investment Credit. Consequently, the percentage applicable on any Payment Date with respect to (i) a Disqualifying Event occurring with respect to such item shall be increased by the percentage of the Purchase Price set forth below for the number of full years of service of such item after the Closing Date and (ii) a Voiding Event occurring at any time shall be increased by the percentage of the Purchase Price set forth below applicable to 0 full years of service after the Closing Date.

Number of Full
Years of Service

Percentage of
Purchase Price

0	19.2901%
1	15.4321
2	11.5741
3	7.7160
4	3.8580
5 or more	0

APPENDIX A TO NOTE
DELIVERED ON FIRST
CLOSING DATE

Endorsement of Payments Made on Note*

<u>Payment Date</u>	<u>Amount of Payment</u>	<u>Amount of Casualty Payment Applied to Note</u>	<u>Application to Principal</u>	<u>Application to Interest</u>	<u>Endorsement of Payment</u>
05/12/82					
11/12/82					
05/12/83					
11/12/83					
05/12/84					
11/12/84					
05/12/85					
11/12/85					
05/12/86					
11/12/86					
05/12/87					
11/12/87					
05/12/88					
11/12/88					
05/12/89					
11/12/89					
05/12/90					
11/12/90					
05/12/91					
11/12/91					
05/12/92					
11/12/92					
05/12/93					
11/12/93					
05/12/94					

* All figures are stated as a percentage of the Purchase Price.

APPENDIX A TO NOTE
DELIVERED ON SECOND
CLOSING DATE

Endorsement of Payments Made on Note*

<u>Payment Date</u>	<u>Amount of Payment</u>	<u>Amount of Casualty Payment Applied to Note</u>	<u>Application to Principal</u>	<u>Application to Interest</u>	<u>Endorsement of Payment</u>
06/01/82					
12/01/82					
06/01/83					
12/01/83					
06/01/84					
12/01/84					
06/01/85					
12/01/85					
06/01/86					
12/01/86					
06/01/87					
12/01/87					
06/01/88					
12/01/88					
06/01/89					
12/01/89					
06/01/90					
12/01/90					
06/01/91					
12/01/91					
06/01/92					
12/01/92					
06/01/93					
12/01/93					
06/01/94					

* All figures are stated as a percentage of the principal amount of this Note.

APPENDIX B TO NOTE
DELIVERED ON FIRST
CLOSING DATE

Payments Due on Note*

<u>Payment Date</u>	<u>Amount of Payment</u>	<u>Application to Principal</u>	<u>Application to Interest</u>
05/12/82	7.5780	1.6566	5.9214
11/12/82	7.5780	1.8036	5.7744
05/12/83	7.5780	1.9637	5.6143
11/12/83	7.5780	2.1380	5.4400
05/12/84	7.5780	2.3277	5.2503
11/12/84	7.5780	2.5343	5.0437
05/12/85	7.5780	2.7592	4.8188
11/12/85	7.5780	3.0041	4.5739
05/12/86	6.7000	2.3927	4.3073
11/12/86	6.7000	2.6051	4.0949
05/12/87	6.7000	2.8363	3.8637
11/12/87	6.7000	3.0880	3.6120
05/12/88	6.7000	3.3620	3.3380
11/12/88	5.0000	1.9604	3.0396
05/12/89	5.0000	2.1344	2.8656
11/12/89	5.0000	2.3238	2.6762
05/12/90	5.0000	2.5301	2.4699
11/12/90	4.8400	2.5946	2.2454
05/12/91	4.8400	2.8249	2.0151
11/12/91	4.8400	3.0756	1.7644
05/12/92	4.8400	3.3486	1.4914
11/12/92	4.4100	3.2158	1.1942
05/12/93	4.4100	3.5012	.9088
11/12/93	4.4100	3.8119	.5981
05/12/94	3.1871	2.9273	.2598

* All figures are stated as a percentage of the Purchase Price of the Equipment.

APPENDIX B TO NOTE
DELIVERED ON THE
SECOND CLOSING DATE

Payments Due on Note*

<u>Payment Date</u>	<u>Amount of Payment</u>	<u>Application to Principal</u>	<u>Application to Interest</u>
06/01/82	7.4964	1.6593	5.8371
12/01/82	7.4964	1.8066	5.6898
06/01/83	7.4964	1.9669	5.5295
12/01/83	7.4964	2.1415	5.3549
06/01/84	7.4964	2.3315	5.1649
12/01/84	7.4964	2.5385	4.9579
06/01/85	7.4964	2.7637	4.7327
12/01/85	7.4964	3.0090	4.4874
06/01/86	7.4964	3.2761	4.2203
12/01/86	7.2000	3.2704	3.9296
06/01/87	7.2000	3.5607	3.6393
12/01/87	5.0000	1.6767	3.3233
06/01/88	5.0000	1.8255	3.1745
12/01/88	5.0000	1.9875	3.0125
06/01/89	5.0000	2.1639	2.8361
12/01/89	5.0000	2.3559	2.6441
06/01/90	5.0000	2.5650	2.4350
12/01/90	5.0000	2.7927	2.2073
06/01/91	5.0000	3.0405	1.9595
12/01/91	5.0000	3.3104	1.6896
06/01/92	4.0500	2.6542	1.3958
12/01/92	4.0500	2.8897	1.1603
06/01/93	4.0500	3.1462	.9038
12/01/93	4.0500	3.4254	.6246
06/01/94	3.9328	3.6122	.3206

* All figures are stated as a percentage of the Purchase Price.

THIS NOTE IS NOT TRANSFERABLE
(OTHERWISE THAN TO THE MAKER HEREOF)
BY THE PAYEE HEREOF

NONRECOURSE PROMISSORY NOTE dated as
of November 12, 1981, between KM RAILCAR
LEASING CORPORATION, a Delaware corporation
(the "Maker") and TRAILER TRAIN COMPANY,
a Delaware corporation (the "Payee").

FOR VALUE RECEIVED, the Maker hereby promises to pay to the Payee the principal amount of Six million two hundred thirty-eight thousand three hundred twenty Dollars (\$6,238,320) in installments as provided below, with interest on the unpaid balance of such principal amount at an interest rate of 17.75% per annum from the date hereof until such unpaid balance shall become due and payable (whether at the stated maturity or on a date fixed for any installment payment) in installments as provided below. This Note is executed and delivered pursuant to, and is subject to the limitations contained in, the Agreement, dated as of November 1, 1981 (the "Agreement"), between the Payee and the Maker. All undefined capitalized terms used herein shall have the meanings ascribed thereto in the Agreement.

The principal amount of and interest on this Note shall be payable as set forth in Appendix B hereto in 25 consecutive semi-annual installments on each six-month anniversary of the Closing Date on which this Note was originally issued commencing in 1982 to and including 1993, and on the first such anniversary in 1994 (each such date being herein called a "Payment Date") in an amount equal to (i) for the first 8 installments, the Rental Payments due and payable on such dates pursuant to the Agreement, (ii) for the next 5 installments, the product of 6.7% and the Purchase Price of each item of Property then subject to the Agreement, (iii) for the next 4 installments, the product of 5% and the Purchase Price of each item of Property then subject to the Agreement, (iv) for the next 4 installments, the product of 4.84% and the Purchase Price of each item of Property then subject to the Agreement, (v) for the next 3 installments, the product of 4.41% and the Purchase Price of each item of Property then subject to the Agreement and (vi) for the last installment, an amount sufficient to repay the then outstand-

ing unpaid principal amount of this Note. If any Payment Date (other than the last Payment Date) shall occur on any day which is not a business day (as defined in Section 4.4 of the Agreement), any payment of principal and interest payable on such Payment Date shall be made on the next succeeding business day without any liability to the Maker.

All payments of principal and interest to be made hereunder shall be paid only from the Primary Rental Payments, Casualty Payments and Primary Option Payments required to be made by the Payee pursuant to the Agreement and only to the extent that the Maker shall have received sufficient Primary Rental Payments, Casualty Payments and Primary Option Payments to make such payments; and the Payee by its acceptance of this Note agrees that (i) it will look solely to the Primary Rental Payments, Casualty Payments and Primary Option Payments and that the Maker shall not be personally liable to the Payee for any amounts payable under this Note and (ii) the obligation to make payments of principal and interest due hereunder shall be set off against the obligation of the Payee to make Primary Rental Payments, Casualty Payments and Primary Option Payments under the Agreement. For purposes of the foregoing sentence, the Maker hereby authorizes the Payee, on each Payment Date, to endorse on Appendix A hereto the date and amount of each such payment, such endorsement to be conclusive evidence of the making of the Primary Rental Payment, Casualty Payment or Primary Option Payment, as the case may be, by the Payee and the making of any payment required to be made hereunder by the Maker.

This Note shall be governed by, and construed in accordance with, the laws of the State of Illinois.

IN WITNESS WHEREOF, the Maker has caused this Note to be duly executed and delivered by one of its duly authorized officers.

KM RAILCAR LEASING CORPORATION,

by

Vice President

THIS NOTE IS NOT TRANSFERABLE
(OTHERWISE THAN TO THE MAKER HEREOF)
BY THE PAYEE HEREOF

NONRECOURSE PROMISSORY NOTE dated as
of December , 1981, between KM RAILCAR
LEASING CORPORATION, a Delaware corporation
(the "Maker") and TRAILER TRAIN COMPANY,
a Delaware corporation (the "Payee").

FOR VALUE RECEIVED, the Maker hereby promises to
pay to the Payee the principal amount of
Dollars (\$) in
installments as provided below, with interest on the unpaid
balance of such principal amount at an interest rate of
17.75% per annum from the date hereof until such unpaid
balance shall become due and payable (whether at the stated
maturity or on a date fixed for any installment payment) in
installments as provided below. This Note is executed and
delivered pursuant to, and is subject to the limitations
contained in, the Agreement, dated as of November 1, 1981
(the "Agreement"), between the Payee and the Maker. All
undefined capitalized terms used herein shall have the
meanings ascribed thereto in the Agreement.

The principal amount of and interest on this Note
shall be payable as set forth in Appendix B hereto in 25
consecutive semi-annual installments on each six-month
anniversary of the Closing Date on which this Note was
originally issued commencing in 1982 to and including 1993,
and on the first such anniversary in 1994 (each such date being
herein called a "Payment Date") in an amount equal to (i)
for the first 9 installments, the Rental Payments due and
payable on such dates pursuant to the Agreement, (ii) for
the next 2 installments, the product of 7.2% and the Purchase
Price of each item of Property then subject to the Agreement,
(iii) for the next 9 installments, the product of 5% and the
Purchase Price of each item of Property then subject to the
Agreement, (iv) for the next 4 installments, the product of
4.05% and the Purchase Price of each item of Property then
subject to the Agreement and (v) for the last installment,
an amount sufficient to repay the then outstanding unpaid
principal amount of this Note. If any Payment Date (other
than the last Payment Date) shall occur on any day which is
not a business day (as defined in Section 4.4 of the Agree-
ment), any payment of principal and interest payable on such
Payment Date shall be made on the next succeeding business
day without any liability to the Maker.

All payments of principal and interest to be made hereunder shall be paid only from the Primary Rental Payments, Casualty Payments and Primary Option Payments required to be made by the Payee pursuant to the Agreement and only to the extent that the Maker shall have received sufficient Primary Rental Payments, Casualty Payments and Primary Option Payments to make such payments; and the Payee by its acceptance of this Note agrees that (i) it will look solely to the Primary Rental Payments, Casualty Payments and Primary Option Payments and that the Maker shall not be personally liable to the Payee for any amounts payable under this Note and (ii) the obligation to make payments of principal and interest due hereunder shall be set off against the obligation of the Payee to make Primary Rental Payments, Casualty Payments and Primary Option Payments under the Agreement. For purposes of the foregoing sentence, the Maker hereby authorizes the Payee, on each Payment Date, to endorse on Appendix A hereto the date and amount of each such payment, such endorsement to be conclusive evidence of the making of the Primary Rental Payment, Casualty Payment or Primary Option Payment, as the case may be, by the Payee and the making of any payment required to be made hereunder by the Maker.

This Note shall be governed by, and construed in accordance with, the laws of the State of Illinois.

IN WITNESS WHEREOF, the Maker has caused this Note to be duly executed and delivered by one of its duly authorized officers.

KM RAILCAR LEASING CORPORATION,

by

Vice President